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Canada. Industrial Relations, Standing
" Ctee. on, 1951 (2d sess.)

HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament
1951

(Second Session)

STANDING COMMITTEE

ON

INDUSTRIAL RELATIONS

Chairman—A. FRED MACDONALD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

BILL No. 23

An Act to amend the Government Annuities Act

THURSDAY, NOVEMBER 22, 1951

WEDNESDAY, NOVEMBER 28, 1951

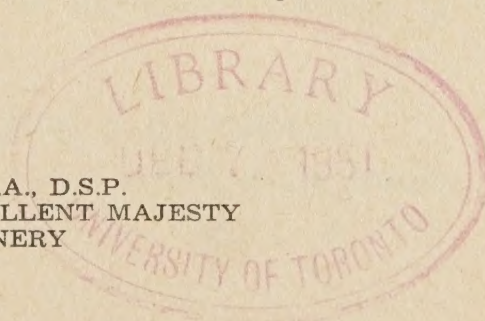
WITNESSES:

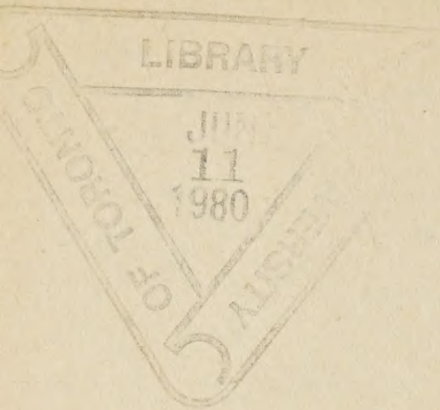
Hon. M. F. Gregg, V.C., Minister of Labour;

Mr. Arthur MacNamara, Deputy Minister of Labour;

Mr. C. R. McCord, Director, and Mr. J. G. Fletcher, Actuary, Annuities
Branch, Department of Labour.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951





STANDING COMMITTEE

ON

INDUSTRIAL RELATIONS

Chairman: A. Fred Macdonald

and

Messrs.

Balcer	Côté (<i>Verdun-La Salle</i>)	McWilliam
Beaudoin	Croll	Meeker
Black (<i>Cumberland</i>)	Fairclough (Mrs.)	Mott
Boucher	Gauthier (<i>Lac St. Jean</i>)	Murphy
Bourget	Gauthier (<i>Sudbury</i>)	Nixon
Breton	Gillis	Pouliot
Brown (<i>Essex West</i>)	Higgins	Ross (<i>Hamilton East</i>)
Byrne	Johnston	Stewart (<i>Yorkton</i>)
Carroll	Kent	Viau
Clark	Knowles	Weaver
Cloutier	Lennard	
Conacher	MacInnis	

(Quorum 10)

E. W. INNES,
Clerk of the Committee.

ORDER OF REFERENCE

HOUSE OF COMMONS

FRIDAY, October 19, 1951.

Resolved,—That the following Members do compose the Standing Committee on Industrial Relations:—

Messrs.

Balcer,	Coté (<i>Verdun-La Salle</i>),	<i>East</i>),
Beaudoin,	Croll,	MacInnis,
Black (<i>Cumberland</i>),	Fairclough (Mrs.),	McWilliam,
Boucher,	Gauthier (<i>Lac St. Jean</i>),	Meeker,
Bourget,	Gauthier (<i>Sudbury</i>),	Mott,
Breton,	Gillis,	Murphy,
Brown (<i>Essex West</i>),	Higgins,	Nixon,
Byrne,	Johnston,	Pouliot,
Carroll,	Kent,	Ross (<i>Hamilton East</i>),
Clark,	Knowles,	Stewart (<i>Yorkton</i>),
Cloutier,	Lennard,	Viau,
Conacher,	Macdonald (<i>Edmonton</i>	Weaver—35

(Quorum 10)

Ordered,—That the Standing Committee on Industrial Relations be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, November 20, 1951.

Ordered,—That the following Bill be referred to the said Committee:—
Bill No. 23, An Act to amend the Government Annuities Act.

THURSDAY, November 22, 1951.

Ordered,—That the said Committee be empowered to print, from day to day, 500 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

TUESDAY, November 27, 1951.

Ordered,—That the name of Mr. Bryce be substituted for that of Mr. MacInnis on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, November 22, 1951.

The Standing Committee on Industrial Relations begs leave to present the following as a

FIRST REPORT

Your Committee recommends:

1. That it be empowered to print, from day to day, 500 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

A. F. MACDONALD,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, November 22, 1951.

The Standing Committee on Industrial Relations met at 10.30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Black (*Cumberland*), Breton, Byrne, Cloutier (*Verdun-La Salle*), Gauthier (*Sudbury*), Gillis, Knowles, Lennard, Macdonald (*Edmonton East*), McWilliam, Pouliot, Viau.

The Chairman, Mr. A. F. Macdonald, thanked the Committee for the honour conferred on him and then read the Orders of Reference.

Mr. McWilliam moved,

That the Committee request permission to sit while the House is sitting.

After discussion, by leave, Mr. McWilliam withdrew his motion.

On motion of Mr. Viau,

Resolved,—That permission be sought to print from day to day 500 copies in English and 200 copies in French of the Minutes of Proceedings and Evidence of the Committee.

On motion of Mr. Byrne,

Resolved,—That a Sub-committee on Agenda and Procedure be appointed comprising the Chairman and five Members to be named by him.

It was agreed that the Minister of Labour and departmental officials be heard at the next meeting.

Agreed: That the Steering Committee consider and make recommendations regarding any briefs or requests for a hearing that may be received.

At 11:00 o'clock a.m., the Committee adjourned to the call of the Chair.

WEDNESDAY, November 28, 1951.

The Standing Committee on Industrial Relations met at 9:30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Black (*Cumberland*), Breton, Brown (*Essex West*), Bryce, Byrne, Carroll, Côté (*Verdun-La Salle*) Croll, Fairclough (Mrs.), Gauthier (*Lac St. Jean*), Gauthier (*Sudbury*), Gillis, Johnston, Knowles, Lennard, Macdonald (*Edmonton East*), Viau.

In attendance: Hon. M. F. Gregg, V.C., Minister of Labour; Mr. Arthur MacNamara, Deputy Minister of Labour; Mr. C. R. McCord, Director, and Mr. J. G. Fletcher, Actuary, Annuities Branch, Department of Labour.

The Chairman presented the First Report of the subcommittee on Agenda and Procedure which is as follows:

Your subcommittee on Agenda and Procedure met on November 26, and agreed to recommend:

1. That the next meeting of the Industrial Relations Committee be held on Wednesday, November 28, at 9:30 o'clock a.m.

2. That the Life Underwriters Association of Canada, and The Canadian Life Insurance Officers Association be permitted to submit briefs.

3. That such other organizations as may so request be permitted to file briefs on the legislation before this Committee.

On motion of Mr. Croll,

Resolved,—That the First Report of the subcommittee on Agenda and Procedure presented this day be now concurred in.

Hon. Mr. Gregg outlined the purpose of Bill 23, An Act to amend the Annuities Act.

Mr. McCord was called, outlined the history of annuities from 1908 to the present, and distributed copies of a brief prepared for the information of Committee Members.

On motion of Mr. Croll,

Ordered,—That the brief distributed by Mr. McCord be incorporated in the record. (*See Appendix "A" to this day's Evidence*).

Mr. McCord and Mr. Fletcher were questioned, and retired.

Mr. MacNamara filed with the Committee the Annual Report of the Department of Labour, 1951.

At 11:00 o'clock a.m., the Committee adjourned to the call of the Chair.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

NOVEMBER 28, 1951.
9.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. I am very glad to welcome to the committee this morning the Honourable, the Minister of Labour (Mr. Gregg).

Your subcommittee on agenda has agreed to recommend as its first report: that the next meeting of the industrial relations committee be held this morning; second, that the Life Underwriters Association of Canada, and the Canadian Life Insurance Officers Association be permitted to submit briefs; third, that such other organizations as may so request be permitted to file briefs on the legislation before this committee.

Mr. CROLL: Mr. Chairman, I move the adoption of the report.
Carried.

The CHAIRMAN: Now, this morning we have with us, gentlemen, as I said, the Honourable, the Minister of Labour; also Mr. C. R. McCord, director of the annuities branch of the government, and Mr. J. G. Fletcher, the actuary of that department. I would like it very much if you, Mr. Gregg, would say a few words to us in regard to this bill.

Hon. Mr. GREGG: Mr. Chairman and gentlemen, I do not think there is very much I need to say at this juncture. I may say that the reason for the government bringing in these amendments was with the best of intentions, to improve the Act. It is not necessary for me this morning to go into the early history of the Act. I said in my introduction of the resolution that it was intended in those early days to work out something of a measure for old age security. I think it must have been admitted by those who brought the measure in that it could not cover the whole field at all, but that it would play a useful part in it. Down through the years I think that a great many people have felt that those who were able, due to financial resources and earning power to take some part however small in government annuities, that perhaps some of them would have been able to look after their old age security through other channels; but it has, nevertheless, served a very useful purpose. It was thought that any steps possible at this time to improve the administration of the Act and to bring certain features of it up to date should be taken, and that is the intention of the amendment which is now before you, Mr. Chairman.

Mr. MacNamara, Mr. McCord and the other officials of the department will be here, and I shall be very happy to attend the sittings of this committee; and if there is any way we can help to clarify any matter which may come up we shall be very glad to do so.

The CHAIRMAN: I may also say, gentlemen, that we are very glad to welcome this morning Mr. MacNamara, the Deputy Minister of Labour.

Now, I should like to call on Mr. C. R. McCord, director of the annuities branch, who will have something to say to the committee in regard to the new legislation.

Mr. C. R. McCord, Director, Annuities Branch, Department of Labour, Ottawa, called:

The WITNESS: Mr. Chairman and gentlemen, I think perhaps it might be well for me to review just a little bit of the history of the amendments that have taken place over the years with respect to this Annuities Act. The Act was passed in 1908. It has been before parliament four times since then, including the present bill. In 1913 the maximum was increased from \$600 to \$1,000; in 1920 there was a further increase to \$5,000 and in that same year the death benefits were changed from 3 per cent to 4 per cent. That is if the annuitant under the Annuities Act dies before the contract matures the money which stands to his credit is paid to his beneficiary with interest compounded annually. The new bill provides of course, that the interest rate on further contracts will be at the rate of interest applicable to the particular contract; this time it is spelt right into the Act. Prior to 1920 the Act prohibited the payment of annuity unless the annuitant had reached the age of 55 years except in cases of illness or disablement. In 1920 this section was eliminated. The Act was also amended in that year to permit any person resident or domiciled in Canada to buy an annuity; previously it applied only to persons who were domiciled in Canada. In 1925 the minimum annuity that might be purchased was reduced from \$50 to \$10. Now, with respect to operation, at the moment there are 275,813 contracts in force under the Act. That includes, of course, the figures on employee registration under group contracts. This 275,000 is broken up as follows: individual contracts on which payments are now being made, 40,000; group contracts, 7,000; making a total of 55,026; individual-deferred contracts, 92,488; individuals under group contracts, 128,299. The average annuity being paid under these vested contracts is \$447 per annum, or approximately \$37 per month. Since the inception of the Act \$652,951,027 has been paid into the fund by purchasers; and, with respect to the reserve, there has been something like \$29 million transferred into that fund.

By Mr. Croll:

Q. Mr. McCord, you just left us in 1925 with the \$5,000 maximum, did you not expect to carry it down to— —A. 1925?

Q. Yes, \$5,000.—A. 1925?

Q. Yes, it was then \$5,000.—A. No, that was in 1920.

Q. Oh, yes.—A. And in 1925 the minimum was reduced from \$50 to \$10.

Q. Oh, yes, I see.—A. And then we have our present amendments. The Act has been without change since then and now we have our present amendment.

Q. What I am getting at is, it was \$5,000 and that was brought down to \$1,200; wasn't that in 1931?—A. Oh, I'm sorry; yes.

Q. 1931.—A. In 1931 it was reduced from \$5,000 to \$1,200 where it has remained since that time.

Q. And the \$29 million transferred to the fund, you mean that is money which was taken out of the consolidated revenue fund and transferred into this special annuity operation?—A. That is right, and that is from 1908 up to date.

Mr. CROLL: Yes.

By Mr. Knowles:

Q. While you are giving figures might I ask if you have the figure as to the total amount that has been paid out over the years to set against that \$652 million that has been paid in?—A. Yes. We have been paying out at the rate of \$26 million a year, that is what it was for the year just ended. I think I have the figures here showing the total amount of benefit which has been paid out; yes, \$208,611,000, from 1908 to March 1st, 1951.

Now, the proposed amendments to bill No. 23 to be considered by the committee are for the purpose of making annuity contracts, individual and group, more flexible and consequently more adaptable to the needs and perhaps changes in circumstances of contract holders. Included also are changes contemplated to remove certain technical difficulties experienced over the years in the administration of the Act.

The main amendments are:

1. Provision for the issue of three additional types of annuity and authority to combine two or more types so as to produce an annuity that will reduce at age 70 by the amount of the old age security payment.
2. Increase in the maximum annuity which may be purchased to \$2,400 per annum.
3. Increase in the minimum annuity which may be purchased from \$10 to \$60 per annum.
4. Broadening of provisions with respect to the amending of contracts for the accommodation of purchasers and annuitants, and to provide for continuity of group contracts underwriting employee pension plans.
5. Provision for the making of regulations concerning cash surrender privileges.
6. Provision for the basing of interest rates as nearly as practicable to the yield on long term government of Canada bonds.

Now, we have prepared a brief for the committee and while it does not refer particularly to the new bill it covers the Act as it presently operates, describes the kinds of annuities, contains certain statistical tables, and covers the situation in a general way. I have several of these for the committee for your examination.

The CHAIRMAN: You have them with you?

The WITNESS: Yes.

Mr. CROLL: Mr. Chairman, will you put one on the record?

The CHAIRMAN: Yes, we shall, as an Appendix to this evidence.

Mr. CROLL: I so move.

Mrs. FAIRCLOUGH: I wonder if Mr. McCord would repeat the figures and the number of contracts?

The WITNESS: There are 275,813 contracts. That includes, of course, employees under pension plans.

By Mr. Knowles:

Q. That includes all people now drawing money, and contracts on which people are still paying?—A. That is right, deferred. Now, I think that covers briefly the amendments that have taken place since this Act was first put on the statute books. It gives the number of contracts presently in force and the average annuity being paid under them, the amount of money paid in since the Act first started and amounts out as well as the amounts transferred to maintain reserve.

I might just go over, page by page, a copy of this brief which has just been tabled here and describe it without reading it. On the first page we describe the various annuities that are available; on the next page we continue further with a description of the plans and a description of our group business, and something of its expansion over the past ten years. On the third page we describe how our contracts and application forms are developed and approved. On the fourth page is described how annuities are sold, also something of our interest rate and mortality tables and the administration of the Act. Page

5 refers to four tables which are attached to the brief, and the sixth page continues a summary in two short paragraphs of the kind of business we can do and what is covered by the Act. Most of the tables go back at least ten years, some of them right back to 1930.

By Mr. Croll:

Q. Mr. McCord, can you break down table 1? You have administration costs per annuity in dollars. Can you help us by breaking it down to percentages?—A. Yes, I can tell you the percentage of premium income. Our administration for the last year was 1.22 per cent of premium income.

Q. I am going to follow that up, if you do not mind, as after all we are anticipating hearing more on this later. How does that compare with the cost to other people doing a similar sort of business?—A. Do you mean the items of cost we have included there, or do you mean how does that percentage compare to the company's percentage?

Q. That is right; that is what I mean.—A. I am afraid I do not know what the companies charge or what their administration percentage is. There is no profit, of course, included in this, and I do not know what administration costs of the companies would be. I believe it might run somewhere from 7 per cent upwards. I am subject to correction on that, it is just a guess.

Mr. KNOWLES: So the figures in the House are correct.

Mr. CROLL: I was quoting a very famous authority on the subject, one Knowles, who quoted figures in the House of 1 per cent and he was almost as right as he gets on these things. He also quoted a figure of 7 per cent up for private companies.

The WITNESS: I did not read his statement on the percentages.

Mr. KNOWLES: That was a quotation from the Mercer brief. You have probably seen it.

The CHAIRMAN: Perhaps we can settle that now; perhaps the actuary, Mr. Fletcher, has some information. Have you any idea what the insurance companies' average percentage is?

Mr. FLETCHER: If you want precise figures I suppose you can go to the annual reports of the Superintendent of Insurance, but in general the life insurance companies in selling an immediate annuity have a loading of some $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent, which is to cover their commission of about 2 per cent, which is higher than ours. It has to cover their expenses and it gives them a little margin for profit and a safety margin in case the mortality rate goes against them. Now, if we say their expenses are $7\frac{1}{2}$ per cent we are perhaps a little high because actually they may operate cheaper as to their cash costs, but the cost to the customer is $7\frac{1}{2}$ per cent for insurance company expenses.

With regard to their deferred annuities the percentage which they charge as loading for expenses varies, of course, with the duration the contract would run to maturity date. They usually have a combination of dollars per contract plus a percentage. It would work out higher than $7\frac{1}{2}$ per cent as a percentage of premium for deferred annuities because they have in the first place a higher percentage commission on the premiums for deferred annuities, but as I said, if you want a general idea of their expenses the figures can be taken from the annual report of the Superintendent of Insurance and that can be shown as a percentage of premium income compared to our 1.22 per cent.

By Mr. Johnston:

Q. You think $7\frac{1}{2}$ per cent is a little high?—A. As I say, it includes a margin for profit and a margin for contingencies. Actual cash expenses of doing business will be somewhat less.

Q. So that is really a maximum, but it can be a little less?—A. Yes.

By Mr. Knowles:

Q. But it is a real charge to the purchaser?—A. Yes.

Q. A charge of $7\frac{1}{2}$ per cent to the purchaser?—A. Yes.

Mrs. FAIRCLOUGH: Possibly we can examine what goes into the administration costs of the department. After all, I suppose the companies have expenses a government body does not have or does not charge against administration, for instance, such things as when they own buildings they do not charge rent. I believe there is some rent charged and could Mr. McCord tell us what the rental charges are and where they apply?

The CHAIRMAN: Would you answer that question, Mr. McCord?

The WITNESS: The figure I gave of 1.22 per cent is based on the expenses as shown in our annuities appropriation. Now, I agree there are charges that are not included there such as rent, which is provided by the Department of Public Works. They may have to rent property or accommodation for us and though they may own public buildings, nevertheless they have a rental value. It is estimated that our expenses additional to those shown in the estimates amount to approximately \$142,000. I am just taking last year as an example. Rents run approximately \$55,000; service provided by the Post Office Department in collecting premiums—these may be paid at post offices throughout the country—and the charge for the post office services is approximately \$45,000. We have gone so far as to take the value of the mail we sent out from head office. I think we have placed a rather high value on that of \$40,000, but we have taken into account the cost of writing annuity cheques, which is done by the treasury office, and we have examined into that, the cost of necessary help and so on, and it runs approximately \$18,000. Now, taking all those things into consideration in addition to the amount shown in our appropriation, our administration expense as related to premium income is less than $1\frac{1}{2}$ per cent, it comes to 1.49 per cent. I think we have loaded this a bit heavily; I do not think our postage costs us that much, but it is hard to make an estimate of a thing like that.

By Mrs. Fairclough:

Q. For instance, in the amount you have for rent, this \$55,000, is that an estimate of all the premises you occupy whether or not rents are payable?—A. That is an estimate of the premises we occupy, including our head office in Ottawa in No. 5 Temporary Building.

Q. And the charge for collections and so on is an estimate of the amount of time spent by their employees in collecting?—A. Yes, throughout their whole service, it is based on a cost ascertainment basis which they have gone into quite thoroughly and they propose to charge us for that from now on—that is why I happen to have the exact figure on that.

Q. Now, this adds up to \$158,000. You said there was an additional expense of \$142,000. Is there a discrepancy there?—A. No. I am sorry, there are \$30,000 for the post office.

Q. What \$30,000?—A. At least \$45,000 for post office. \$15,000 of that we have already paid and already included in our appropriation.

Q. So it would be \$30,000 additional to what has already been charged?—A. Yes, that is right, so it comes out about \$142,000.

Q. Do you make any provision for charging up the employer contributions on annuities for your own staff, or is that charged to the civil service?—A. No, we do not include that.

Q. In normal business operations that would be an expense of operation?—A. I believe that would be correct.

Q. Have you any idea what that figure would be?—A. It is hard to say. On superannuation I suppose it is intended to be dollar for dollar of employee contribution. I think it is in pretty much the same situation as other business, to produce a certain amount of pension an employer might have to dip a bit heavily on it, from time to time.

Q. I am just wondering what the charge against the department would be if all the figures for the operation of the department were charged up. You have wages charged up, and you have unemployment insurance charged up, but I am wondering about the employer contributions?—A. I suppose we could do like a pension scheme might do, add 4 per cent of the salary item. Would that be high, Mr. Fletcher?

Mr. FLETCHER: No, it would not be high.

The WITNESS: About 4 per cent, if we were to add that.

By Mrs. Fairclough:

Q. I do not have the estimates with me.—A. It would amount to \$16,000, about.

Mr. KNOWLES: It would still be below 1.6 per cent?

Mrs. FAIRCLOUGH: Yes.

The CHAIRMAN: Are there any more questions? That was on table 1. Is there anything arising out of the other tables?

By Mr. Knowles:

Q. Mr. Chairman, may I ask Mr. McCord a question arising out of figures he has given earlier. You indicated, Mr. McCord, that the total amount paid in since 1908 was \$652,951,027, and the total amount paid out has been \$208,611,091. I take it from that that every year the amount paid in has exceeded the amount paid out.—A. Oh, yes.

Q. That is, if you put it on an actuarial basis you have to look at it in one way, but as far as the immediate policy is concerned you are well in the black?—A. Oh, yes. In this table No. 2 I have given for the last ten years the net receipts, and the annuity benefits paid. You see there that in 1941-42 the net premium receipts were \$19,630,645 and the amount paid out \$9,763,595, and so on up the line. It reached a high in 1947-48 when \$75,067,827 was taken in and \$18,294,136 paid out. In the last fiscal year the net premium receipts amounted to \$59,648,322, as against \$24,569,791 paid out.

By Mr. Croll:

Q. Just looking at the 1945-46 figure, and the 1946-47 figure—they appear to be a little startling, the 1947-48 figure in particular. What conditions brought that about?—A. The jump in the premiums?

Q. Yes. Almost double.—A. Of course that was brought about to some considerable extent by the large increase in group business, which brings in rather large sums of money. The group business was just getting into its stride at about that time; it did not start much before 1941. It had been a gradual process up till that time.

Q. Have you any idea what you consider, what you anticipate a normal year will bring in?—A. Well, in the last few years we have come to consider something like \$60,000,000, but it does not necessarily follow. Every new contract we sell means more premium income. It is a long range proposition. As long as the present contracts continue their premiums, those premiums will be coming in plus the premiums for additional annuities.

Mr. BROWN: It depends on how good your salesmen are.

The WITNESS: That is quite true.

Mr. JOHNSTON: You really do not push that in the form of salesmanship?

Mr. BROWN: You really do not have your representatives—

Mr. JOHNSTON: I am asking the witness.

The WITNESS: We have representatives assigned to the various areas and territories. We have them in 42 main centres across Canada. However, they have not been, as I say, highly trained to the point of whipping them up to sales enthusiasm.

By Mr. Brown:

Q. Shall we say how good a service they render?—A. They are rendering a good service, I would say, in so far as their number will permit, and they are certainly endeavouring to please the customers that they call on. There certainly is no high pressure used. It is a question of them trying to fit a proposition into a particular person's need or requirement, rather than trying to make a sale at all costs.

By Mr. Johnston:

Q. You have a very substantial business in this annuity business. How does that compare with the annuity business which the insurance companies do in the aggregate?—A. I have not any figures as to the amount of business the insurance companies do, that is, in dollars. I do not happen to have them before me, but as far as numbers of contracts are concerned—I am speaking of the straight annuity contract not tied in with insurance in any way—I would say that in the deferred business, aside from the group business, certainly up till the last couple of years, we ran a little bit better than all insurance companies together in the number that we sold.

The CHAIRMAN: Could you speak just a little louder, please, Mr. McCord?

The WITNESS: Yes, sir. I have some figures here showing the comparison of deferred annuities sold in Canada. These figures are for individual policies. In 1946 we sold 9,530; insurance companies sold 10,099; in 1947 we sold 10,794, insurance companies sold 10,699; in 1948—that was after the rate change—our numbers dropped off.

Mr. KNOWLES: I was going to draw attention to that.

Mr. CROLL: Go ahead.

The WITNESS: In 1948 the figure is 4,821 as compared with 10,665 for insurance companies; in 1949 we are down to 4,000 as compared with insurance companies at 11,000; in 1950, our figure is 5,575 as compared with 11,463 for insurance companies.

In other words insurance companies have been running along at about ten to eleven thousand annually in those years. For the first couple of years we were running equal with them but it tapered off the last couple of years.

By Mr. Johnston:

Q. This is what type?—A. These are just straight individual annuities.

Q. Well, if I have taken the figures down correctly, the insurance companies have sold more contracts than you have—for that type of annuity?—A. Yes, but there are 50 companies involved.

Q. Yes, I know that.

Mr. KNOWLES: The difference is rather striking subsequent to the change in rates in April of 1948?

The WITNESS: Yes.

By Mr. Johnston:

Q. There has been a very decided change there. To what would you attribute that—I mean their increase in sales? Would you attribute that to

the fact there was a change in the interest rate or would that be due possibly to the pressure of salesmanship by companies—pressure which you do not exert?—A. You mention increased sales but if you will notice the company sales they have not increased from 1946 to 1950, even though ours dropped off. Incidentally, these figures are taken from the report of the superintendent of insurance. The company totals run anywhere between ten and eleven thousand contracts each year from 1946 to 1950. Ours dropped off but theirs did not increase proportionately.

Q. Your total sales were just about half of theirs each year?—A. In the last couple of years they were just about half.

Q. That is my point. What is the cause of that? Is it because the companies go out and put pressure on in the form of salesmanship, whereas—well, if people want to buy your annuities they come in and buy them, but if they don't they don't—and that is all?—A. Well, I do not know that their figures indicate any extraordinary pressure. They did not gain anything but we fell off. People just did not buy.

Mr. KNOWLES: I suggest that Mr. Johnston is making a wrong comparison. One should not compare the government's sales with company sales but one should compare government sales post-1948 with government sales pre-1948. In other words, the people of Canada knew a good bargain even though it was not well advertised.

Mr. JOHNSTON: I think that is true.

Mr. KNOWLES: Now they realize it is not as good as it was prior to 1948.

Mr. JOHNSTON: That would be one of the reasons for the dropping off.

By Mrs. Fairclough:

Q. I wonder if I could ask Mr. McCord whether he has a table showing the value of the individual contracts—that is how many contracts are in force at \$1,200, how many at \$1,100, at \$1,000 and so forth? You made the statement that the average was \$477.—A. That is the average vested contract—the average being paid.

Q. Well, what type of contracts are in force or presently being purchased?

By Mr. Croll:

Q. Mrs. Fairclough, may I ask a question that follows out of the last matter. Mr. McCord, can you give us a comparison of group insurance figures, similar to the one you gave us on deferred contracts, and I think we will exhaust that subject?—A. For the insurance companies as well?

Q. Yes?—A. Certification under new pension plans—that is pension plans newly established, according to these figures, show a figure for 1946 of 17,376 under government pension plans, compared with 9,245 for companies. In 1947 under new pension plans issued that year the figure is 25,740 for government pension plans and 16,546 for insurance companies. In 1948 the figure is 19,000 under new government pension plans and 7,944 for companies.

By Mr. Johnston:

Q. Mr. McCord, would they be included in Table No. 4—group certificates issued?—A. No, I am just speaking of new business. That table would cover all business done in the particular year.

Q. That figure would include older contracts?—A. Yes. In 1949 there were 1,300 new registrations under government plans and 8,394 for companies. In 1950 the figure is 1,000 as compared to 11,470.

Those are new plans written in those particular years.

Mr. GILLIS: Could I complete that? In your individual annuity contracts your figures show that you lost about 50 per cent of your business after you changed the rate. One might be suspicious that the change in rate may have done that.

What I would like to know is how does your rate for individual annuity contracts compares with the rates for companies with which you compete?—A. Well, we are somewhat lower but if I may, I would like to ask our actuary, Mr. Fletcher, who has the details on the tip of his tongue to give you some information on that.

The CHAIRMAN: Can you answer, Mr. Fletcher?

Mr. FLETCHER: Yes. With respect to deferred annuities our rates are still slightly lower than those of the insurance companies and when it is suggested that the drop in sales since 1948 is due to the change in rate I think that is probably true—because we have the same number of sales staff and they are working harder now than they did before.

However, and this is a matter of personal opinion, I think when our rates were increased to a point close to those of insurance companies, if it came to competition our annuity was at a disadvantage because it had no surrender value. We are told by our sales force that they do encounter objections. People are a little hesitant about having their money irrevocably tied up and not available if it is needed in an emergency. Therefore, if the government annuity rate is in direct competition with insurance companies, the insurance company man will probably get the business because his contract offers a surrender value in an emergency. That is to say our rates are still lower than those of the insurance companies, but they are off the bargain counter.

Mr. GILLIS: Could you give us a couple of examples of rates, your own rates as compared, let us say, with a similar type as handled by the old line companies?

Mr. FLETCHER: I could not do that off hand. I could give it to you at the next session, because I have some figures on my desk. It is very difficult to get precise comparisons because there are varieties in the death benefits offered prior to maturity date. But I would be glad to have the figures for you at the next session of the committee.

Mr. GILLIS: I will be glad to see them because I think it would at least partially answer the question.

Mr. JOHNSTON: You did indicate that since the interest rate was changed there was about a 50 per cent reduction in the business done?

Mr. FLETCHER: That is right.

Mr. JOHNSTON: And as the business decreases, that tends to increase your costs because your costs are a permanent thing, are they not?

Mr. FLETCHER: It tends to raise your unit cost.

Mr. JOHNSTON: What is your view on this point: if the interest rate had remained where it was, it would be naturally assumed that business would have taken it up, or would have remained where it was before; would not your increased business almost compensate for allowing the interest rate to remain where it was?

Mr. FLETCHER: Well, that becomes a question, sir, as to what the government feels it can afford to pay for the money.

Mr. JOHNSTON: Oh, I am not concerned with government policy in regard to that, but I am concerned with actual conditions. It is clear, I think, from what you said—and I thought you expressed it very properly—that because of the reduction in interest rate, there was a 50 per cent loss in business.

Mr. FLETCHER: Yes.

Mr. JOHNSTON: And I think it naturally follows that the cost per unit will rise because of the reduction in the interest rate; and that if the interest rate had remained at the 4 per cent level—

Mr. FLETCHER: Yes.

Mr. JOHNSTON: The business would have doubled, or at least remained where it was generally, or would have shown, let us say, a 50 per cent increase.

Mr. FLETCHER: Yes.

Mr. JOHNSTON: And therefore the annuities branch would not have been out anymore, and it may be that the public could have got that benefit at no additional cost.

Mr. FLETCHER: Our unit costs would have stayed down, although our total expenses would have gone up because we would have been paying more commission.

Mr. JOHNSTON: But your paying more commission would be about the only item.

Mr. FLETCHER: We would have used up more stationery and contract forms, and we would have had more clerks writing contracts.

Mr. JOHNSTON: But that is not a very considerable amount, is it?

Mr. FLETCHER: No.

Mr. JOHNSTON: Your overhead was pretty well stationary, was it not?

Mr. FLETCHER: Fairly well stationary, yes. But I would like to make it clear that although our unit costs would have been lower, our absolute cash expenditures would have been greater.

Mr. JOHNSTON: So that while there may have been some loss, it would have been very infinitesimal though, would it not?

Mr. FLETCHER: I would not call it "infinitesimal" because we might have paid out \$200,000 in commissions. But it would probably be worth that to get the additional number of people started on a savings program.

Mr. JOHNSTON: That would somewhat off-set it, would it not?

Mr. FLETCHER: That is the purpose of the Act, yes.

Mr. JOHNSTON: You say that is the purpose of the Act, and that the purpose would have been improved had we allowed the rates to remain lower, possibly?

Mr. FLETCHER: Yes, I think that is a fair statement.

The CHAIRMAN: Now, Mrs. Fairclough, do you wish to continue your questioning?

Mr. HOSKING: Mr. Chairman, I am not a member of this committee but I would like to ask a question.

Mr. COTE: Mr. Chairman, it must be done with the unanimous consent of the committee.

The CHAIRMAN: Is there unanimous consent that Mr. Hosking be permitted to ask a question?

Agreed.

Mr. HOSKING: Mr. Chairman, I know of a company in the town adjoining mine, the Equitable Life Insurance Company of Waterloo. This company offers a contract to the buyer at the age of forty, whereby the company will pay \$120 a year, or \$10 a month, for a male of age forty, for a premium of \$2,416.

For the Government's similar policy the premium would be \$2,443, or a difference of \$27. At age of fifty, the company's policy would cost \$2,035, and the Government's policy would cost \$2,070, or \$35 more; and at age sixty, the company's policy would cost \$1,613, and the Government's policy would cost \$1,626.

The CHAIRMAN: What is your question, Mr. Hosking?

Mr. HOSKING: My question was: is it the policy of the government to charge more for their annuities than do the insurance companies?

Mr. CROLL: That is not a question for the witness to answer, surely, Mr. Chairman.

Mr. KNOWLES: The features of these policies would have to be set out before we accept those figures.

Mr. JOHNSTON: I think this is a little bit irregular, Mr. Chairman. I have no objection to the hon. member making a presentation, but I think he should be here as a witness, so that everybody can question him on it. I for one am not so sure that I am satisfied with the statement that was just made.

The CHAIRMAN: We shall have to discuss this matter in the steering committee, Mr. Hosking, and if you have any representations you want to make to this committee, will you please be good enough to make them to the clerk.

Mr. HOSKING: I was not trying to intrude, but I thought that Mr. Fletcher might check to see if these figures are correct, and he might bring back a report.

Mr. CROLL: Mr. Chairman, we are going to hear from the underwriters in due course and they will be presenting this argument.

The CHAIRMAN: We hope to have a meeting of the steering committee later in the day. Now, Mrs. Fairclough?

By Mrs. Fairclough:

Q. Might I ask Mr. McCord if he has a break-down of contracts?—A. I am afraid I have not a break-down of the annuities, except the vested annuities.

Q. Well, can we get those figures?—A. Yes.

Q. My reason for asking is this proposed increase from \$1,200 to \$2,400. I think it would be interesting to this committee to know what demand there is for the larger amount. I would like to have the figures on contracts that have been purchased up to the present time, and the amounts in which they have been purchased.—A. There is one thing to be said about the figures; that while one may have a contract for a \$300 annuity, there is no reason why the holder of that contract might not pay in more and ultimately wind up with an annuity of, let us say, \$800 or \$1,000.

Q. You mean that they would pay more than the contract called for?—A. Under the present type of contract they can extend it. We could perhaps give you information as to what the face value of the contract might be, but it would not necessarily follow that that would be the amount of the annuity that is going to be paid out, because it may be more and it may be less.

Q. Would not the fact that there are \$477 on the average indicate that there must be quite a few which are below the average?—A. I shall be glad to give you the information as to how they go in value. As of March 31, of those less than \$300, it was 44.4 per cent.

Q. You have them just in percentages; you do not have the number of contracts?—A. I have the number here, yes. Our single life contracts would be slightly different from these 55,000 I mentioned before which would be less the group contracts. 21,287 are less than \$300; and for \$300 to \$600 there would be 11,987; for \$600 to \$900, 7,106; \$900 to \$1,200, 1,993; for exactly \$1,200 there are 5,422; and over \$1,200 (these are the old \$5,000 maximum type) there are 150; that makes a total of 47,000.

The CHAIRMAN: Does that answer your question, Mrs. Fairclough?

Mrs. FAIRCLOUGH: Yes, Mr. Chairman, but I have another question I would like to ask.

By Mrs. Fairclough:

Q. Calculating the amount to be transferred to maintain the reserve, could we have some information as to how the figure is arrived at, and also whether there is any, or what type of consideration is given to prospective increased mortality?—A. Again I would like to ask, Mr. Chairman, if Mr. Fletcher might answer that question as he is responsible for that in our branch.

The CHAIRMAN: Mr. Fletcher:

Mr. FLETCHER: Mr. Chairman, under the Annuities Act the Governor in Council is given authority to prescribe by regulation the basis on which all outstanding contracts shall be valued. The basis with respect to annuities that are still deferred is to hold as the liability the accumulation of premiums and interest. For annuities being paid out, there is prescribed a mortality table and values per one dollar of annuity for various ages and plans, ordinary and an interest rate on which they shall be valued. From that we prepare a table of guaranteed, and if they are guaranteed, for how long. Then it is simply a matter of tabulating your annuities, collecting together those of the same age and plan, setting these figures against the values per dollar of annuity and grinding out the products; so that you come out with a grand total which, according to that interest and mortality table is the amount of money you must have in hand to pay these annuities.

Now with regard to the transfer to maintain reserve, it happens that our annuitants are living longer than they are expected to live according to the mortality tables. Thus at the end of each fiscal year there are more annuitants alive than there should be, and we have to hold an unexpected reserve to continue paying their annuities. The only place we can get the money is from the consolidated revenue fund. The calculation I just mentioned comes out higher than the amount of money we actually have, so the difference has to be made up from the consolidated revenue fund.

Mr. MACDONNELL: Do you send them good wishes on their birthdays?

Mr. FLETCHER: Yes, sir, occasionally, if they reach 100 years, and that in fact has happened.

Mr. FAIRCLOUGH: We do have a few.

Mr. FLETCHER: We have a few, yes, we had one lady reach 104. Briefly, the trouble in maintaining reserves arises from the fact that according to mortality tables too many people are still alive, and therefore we have to hold enough money to pay their annuities. Does that cover the question, Mrs. Fairclough?

Mr. FAIRCLOUGH: Partly, but I am still not clear as to whether you anticipate in arriving at the amount of this reserve, or merely take the mortality of those that are still participating or whether you set up a reserve for future years in the anticipation of their being alive.

Mr. FLETCHER: There is a margin for future improvement in the tables we are using and it might appear therefore that we should have a surplus because you can say if we are valuing on a basis that allows a margin for future increase in longevity, then we should be having a little too much money and according to our table there should be more people die than expected. The complicating factor is our very old business. From 1908 to 1936 the contracts were on a mortality table which was very generous to the annuitants. From 1936 to 1938 premiums were jacked up a flat 15 per cent, as a temporary measure. Then in 1938 a new mortality basis was adopted and that ran until 1948. In 1948 when the new premiums were adopted it was decided that all the annuities being paid would be valued on the same mortality basis as the new sales, so that the valuation would leave a margin for future improvement. That

meant every annuity being paid in 1948 had to have its reserve boosted to a new level. You will notice that there was a transfer of the valuation subsequent to 1949 of around \$12 million. Every year we have about 1,700 to 1,800 old deferred annuities maturing and we have about the same number of employees retiring under pension plans, and the vast majority of these contracts were sold on a premium basis lower than those currently in use. Consequently when those contracts are transferred from the deferred section over to the vested section, being paid out, we have to set up as a liability the full amount based on our current mortality standard, and there is not enough money in the fund to do that. That is to say, the accumulation of their premiums and interest is not equal to the reserves we have to hold. That costs us each year a substantial amount, which might be in the neighbourhood of \$1½ million. Now, on the business that has already been valued, we are valuing with an allowance for the future, and we make from that a paper profit but not enough to offset the \$1½ million, say, we have to put up on the old contracts which are maturing. And you see from the 1950 annual report that on net balance it costs us about \$600,000 to maintain the reserves for the last fiscal year.

Mr. KNOWLES: I wonder if I might interrupt at this point, Mr. Fletcher. Could you give the figures which, when put together, produced that net balance. In other words, could you tell us what the figure was, the amount required to take care of the old contracts, and then the paper profit that you thought you need on new contracts?

Mr. FLETCHER: I have not the precise figures for the last fiscal year. We made some tests in earlier years just to see what it was costing us per maturing contract, but we did not work out the precise figures for the last fiscal year. I can easily get you a rough estimate if you would like it.

Mr. KNOWLES: I think the point of my question is quite clear.

Mr. FLETCHER: It will come roughly, I think, to what I have estimated mentally. It would probably cost \$1½ million on the old contracts. We came out with \$600,000 net, or perhaps \$600,000 paper profit, part of that \$12,000,000 coming back to us that we had to put up in 1949.

Mr. KNOWLES: But you are getting it out of the people now paying under new contracts?

Mr. FLETCHER: No, it came out of the consolidated revenue fund.

Mr. KNOWLES: I am not referring to the paper profit.

Mr. FLETCHER: Well, it came out of our annuities fund. As I say, with respect to contracts which are already in the vested section, that is, those contracts on which we are paying out annuities, once they get in our reserve is a little higher than strictly necessary for today's mortality. We have put into it a factor of safety to provide for the future, because everybody in this business is aware that there is a progressive increase in longevity, so we have a margin for future safety. Therefore, with regard to our valuation standard today, there are more people dying than that valuation standard expects to die. Well, if more people die than expected, we have a so called profit.

Mr. BYRNE: Mr. Fletcher, could you tell me what is the average life expectancy of the government annuitant at the present time?

Mr. FLETCHER: The figure would not mean very much because it varies by age. I can give you something along that line, though.

Mr. CROLL: Ask him the figures for members of parliament, too.

Mrs. FAIRCLOUGH: Do you want to scare us altogether?

Mr. JOHNSTON: Maybe he has a special table for members of parliament.

Mr. FLETCHER: The average age at death runs about 73·8 years for men and 77·5 for women.

Mr. KNOWLES: Does any woman ever admit she gets that old?

Mrs. FAIRCLOUGH: If she is going to get money out of it, she does.

Mr. FLETCHER: I made a study of our mortality experience for the five fiscal years from March 1943 to March 1948. That would center more or less around January of 1946. So, these figures represent the situation as it was five years ago.

On that basis a man aged 60 would expect to live 17·4 years; a man aged 70 would expect to live 10·8 years. The corresponding figures for women at age 60—20·3 years; and at age 70—12·5 years—

Mr. KNOWLES: T'ain't fair.

Mr. FLETCHER:—assuming that mortality remained constant and that there was no increase in longevity. It would not be safe to sell annuities on those assumptions however.

Mrs. FAIRCLOUGH: Well, Mr. Fletcher, would you say the mortality tables in use by the department are comparable to those in use by insurance companies, or are you optimistic or pessimistic in your calculations?

Mr. FLETCHER: I think we are all pessimistic because we have learned by sad experience that we must be. We do not use the same mortality tables as the insurance companies but the one we use and the one they use are for practical purposes quite closely the same. There is a movement starting among the insurance companies, as a result of a big study made under the auspices of the Society of Actuaries, to adopt a new table which has had the blessing of the Society of Actuaries as being more representative of the mortality pattern today and what it is likely to be in the foreseeable future. You might be interested to know, incidentally, that was the mortality basis which was adopted by the province of Alberta for their new annuity scheme.

Does that cover the question?

The CHAIRMAN: Thank you very much, Mr. Fletcher.

Mr. JOHNSTON: Before Mr. McCord leaves the subject that he was speaking on and before we get on to another point there is one matter which I would like to raise. It will not take very long. I think he said a moment ago there were about 5,000 annuitants who had a maximum \$1,200 annuity, is that right?

The WITNESS: Yes.

Mrs. FAIRCLOUGH: Yes.

Mr. JOHNSTON: That seems to be a rather small number who get the maximum annuity. Now, if the annuity is raised from \$1,200 to \$2,400 what percentage increase will there be in the total number who will buy the maximum annuity?

The CHAIRMAN: I wonder whether that is a question which the witness can answer, Mr. Johnston?

Mr. JOHNSTON: \$2,400 just happens to be the figure in the bill. Suppose you double the present figure, which brings it to \$2,400, what would be the percentage of increase in those who take that maximum annuity?

The WITNESS: I am sorry, sir, I could not even guess at that. These 5,000 annuitants have the \$1,200—and those are vested annuities presently under payment. The ninety odd thousand individuals with deferred contracts may, as I mentioned a moment ago in answering another question, have started out by buying a \$300 annuity but they may wind up with a \$1,200 annuity. It is hard to say where they are going to come out in the thing—

Mr. KNOWLES: Or vice versa?

The WITNESS: Yes, they could stop paying and not come out with very much. These older contracts were wide open in that respect. It did not matter how much you took in the original contract because you could extend it to the

maximum allowed under the Act. For that reason I would hate to hazard a guess—and I could not hazard a guess as to what the percentage might be. The whole purpose of the \$2,400 amount is to bring the thing into line with present day earnings and so forth. If a person wanted to gauge his pension on the basis of his present day earnings and put away a regular amount it would be possible for him to wind up with \$2,400—which is twice the amount that is in effect at the present time.

Mr. JOHNSTON: Suppose you double it. \$1,200 is the total amount now but if you double it it would be \$2,400. You have now 5,000 who are taking the \$1,200 so would it be fair to say that 10,000 would take the \$2,400?

Mr. KNOWLES: It would be more likely to be 2,500.

The WITNESS: I would not like to guess at it.

Mr. CROLL: May I ask one question. I saw a figure some time ago to the effect that 70·2 per cent of the contracts, personal contracts, are for less than \$600. How right am I?

The WITNESS: That is right.

Mr. CROLL: That is correct?

Mr. FLETCHER: It sounds about right.

Mr. CROLL: All right.

The WITNESS: Yes, 69·4 per cent are for less than \$600.

The CHAIRMAN: Mrs. Fairclough and gentlemen, the time for the committee meeting is running out but we are very glad to have with us this morning Mr. Arthur MacNamara, the deputy minister of Labour, and I am quite sure the committee would be glad to have Mr. MacNamara say a few words. Would you be good enough to do that, Mr. MacNamara?

Mr. ARTHUR MACNAMARA (Deputy Minister of Labour): Mr. Chairman and members, your time has just about run out, so I think I can best help you by saying very little.

This is good legislation. The department would not like you to think that we have any regret because people are living longer than they formerly did. We do not want you to think that we worry about that.

There are only two things I want to say. Mr. Croll gave me an idea. He said he hoped to read this book at some time. The annual report of the Department of Labour has just come out and it has a section in it in regard to annuities. I would like to file it with you, Mr. Chairman; and let me say that we shall furnish you with extra copies of it for the next meeting.

The CHAIRMAN: Thank you.

Mr. MACNAMARA: Some of the information in there has not been mentioned by either Mr. McCord or Mr. Fletcher.

The only other point I think might be helpful is the point you have been discussing, about mortality.

In 1949 we called on Mr. W. A. Jenkins, the vice-president and actuary of the Teachers Insurance and Annuity Association of America, for his opinion as to the adequacy of the mortality basis of the 1948 premium rates, which was the last revision. Mr. Jenkins's report could be given to you if you wish. But he said that we were all right as far as our basis was concerned, that we were not over-loading the costs, and that we were just about right; but that we should watch it pretty closely. That is the situation.

We think that the mortality tables, as far as we can judge, are proper. Some question arose here this morning as to the drop in business. It is true that when the 1948 adjustment was made, business started to fall off. I think that

would be expected. Our commission men told us that the people who are considering buying are waiting until we settle definitely what the conditions are going to be.

I expect, after the bill is dealt with, that our opportunities for sales will be very much improved. And, as I said initially, it is good legislation and I hope that the sales will be improved. I thank you very much.

The CHAIRMAN: Thank you very much, Mr. MacNamara.

Now, with regard to the next meeting, do you wish me to call a meeting of the steering committee today?

Mr. CROLL: Yes. Let the steering committee bring in a report.

The CHAIRMAN: At the present time we are limited with respect to the time of our meetings because we have not the necessary authority to meet while the House is sitting. That limits the scope of time available for our meetings. So I wondered if you would like to make some suggestions this morning before this meeting adjourns.

Mr. CROLL: Mr. Chairman, some of the people here are opposed to our sitting while the House is in session because there are three important committees which are working pretty steadily.

The CHAIRMAN: Yes.

Mr. CROLL: I think we have not anything to worry about in this bill. We have a couple of people to hear and we can do that some morning. I do not think it will take us more than one meeting to complete our dealing with the bill which is before us. I do not think there is any question about agreement on it in principle. Two or three meetings should serve to finish it. But you must realize that the opposition is pretty thin.

The CHAIRMAN: That is true.

Mr. LENNARD: What do you mean, "pretty thin"?

Mrs. FAIRCLOUGH: He doesn't mean personally.

Mr. CROLL: These committees are driving pretty hard, so it makes it rather difficult for us.

The CHAIRMAN: It looks as if we shall have to meet in the morning.

Mr. CROLL: Sure. Call the meeting for 8:00 o'clock and make sure that the opposition is here.

Mr. KNOWLES: Do not worry about the opposition.

The CHAIRMAN: We shall have a meeting of the agenda committee to decide on the witnesses to be heard at the next meeting. This meeting is now adjourned.

APPENDIX A

CANADIAN GOVERNMENT ANNUITIES

Prepared for the Standing Committee

of

The House of Commons
on Industrial Relations

by

The Department of Labour

November, 1951.

An Act to authorize the issue of Government Annuities for Old Age was assented to on July 20th, 1908, and cited as the Government Annuities Act, 1908.

The preamble to the Act reads as follows: "Whereas it is in the public interest that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows".

The Government Annuities Act, copy of which is annexed to this brief, has remained substantially unchanged since its enactment in 1908. Under the provisions of the Act two general types of contract have been issued. These are:

- (i) Deferred Annuities
- (ii) Immediate Annuities

There are three plans of Deferred Annuity contract available:

(a) *Deferred Life Plan*—Upon maturity of the contract, the annuity commences and it is payable in regular monthly instalments for the life of the annuitant, the benefits ceasing with death. Should the annuitant die before the annuity begins the premium payments made plus 4 per cent compound interest are returnable to the annuitant's estate.

(b) *Deferred Guaranteed Plan*—Upon maturity of the contract the annuity becomes payable in monthly instalments, continuing for the life of the annuitant and for 5, 10, 15 or 20 years in any event, according to the guaranteed period selected by the purchaser. If the annuitant dies before the annuity commences, the monies paid with interest are returnable to his estate. Or, if the annuitant dies during the guaranteed period, the instalments of annuity remaining unpaid are continued to his estate for the balance of the guaranteed period.

(c) *Deferred Last Survivor Plan*—Under this plan two persons, generally husband and wife, take out an annuity together. Upon maturity, the annuity is paid as long as both live and the full amount to the survivor for life. If one annuitant dies before maturity, the full amount paid in premiums remains at the credit of the survivor. If both annuitants die before commencement of the annuity, the premiums with interest accumulations are returnable.

There are three plans of immediate annuity contract available:

(a) *Immediate Life Plan*—The annuity under this plan commences one month from date of purchase and continues as long as the annuitant lives.

(b) *Immediate Guaranteed Plan*—Under this plan the annuity is payable in monthly instalments during the life of the annuitant and payments are guaranteed for 5, 10, 15 or 20 years in any event, according to the guaranteed period selected by the purchaser. If the annuitant lives longer than the guaranteed period, the benefits are continued as long as he lives.

(c) *Immediate Last Survivor Plan*—Under this plan two persons, usually husband and wife, purchase an annuity jointly. The annuity is payable in monthly instalments as long as both annuitants live and the benefits are continued in full amount until the death of the last survivor.

Deferred annuities may be purchased by periodical premium payments or by single premium payments. The periodical premiums are usually deposited monthly, quarterly, or half-yearly or annually. The purchase of immediate annuities is by lump sum cash payments. Premiums may be deposited at any accounting post office throughout the country or remitted to the Annuities Branch direct by cheque, money order, etc., in favour of the Receiver General of Canada. The maximum amount of annuity purchasable on the life of one person or on the lives of two persons jointly is \$1,200.00 a year.

Under Section 6 of the Act provision is made whereby *Group Contracts* may be entered into with employers to give effect to approved employee retirement pension plans.

Until about twelve years ago very little use was made of Canadian Government Annuities for the purpose of underwriting Retirement Annuity Plans. Since that time the development has been as follows:

March 31	Group Contracts in force	Employees included
1940.....	4	1,240
1941.....	30	7,776
1942.....	49	11,180
1943.....	70	15,351
1944.....	154	28,919
1945.....	270	38,872
1946.....	433	56,227
1947.....	612	86,638
1948.....	708	113,401
1949.....	809	143,270
1950.....	846	158,959
1951.....	900	173,228

Of the 173,228 employees included up to March 31, 1951, 44,929 were no longer participating for reason of retirement, death or termination of service, leaving a net total of 128,299 active participants.

In addition to Group Annuity Contracts, approximately 350 pension plans covering about 9,000 employees were underwritten by individual contracts.

Premiums paid under contracts entered into in connection with Retirement Annuity Plans amounted to \$36,506,202.65 in the fiscal year 1949-50, and \$35,367,096.15 in the fiscal year 1950-51.

Retirement Annuity Plans are underwritten by entering into a Group Annuity Contract where a large number of employees is involved, and individual contracts for the smaller organizations. The premium rates are the same in each method of underwriting and are similar to the rates applicable to persons purchasing annuities as individuals. The normal type of plan is contributory, the employee paying a fixed percentage of earnings and the employer paying a similar amount or such amount as may be necessary to complete the purchase of a fixed annuity. The employer generally makes additional payments in respect of prior services. When an employee's service is terminated prior to retirement, he cannot withdraw his money but is credited with a paid-up annuity purchased by his own contributions and such part of the employer contributions as the contract may prescribe. In the event of his death before retirement, the total of his own contributions with interest and such part of the company contributions as the contract may prescribe will be paid to his heirs. On retirement, the annuity purchased by all contributions made on his behalf will be paid to him for life and generally carrying a guarantee that payments will be made for a minimum of five years.

CONTRACT AND APPLICATION FORMS

It is provided in Section (c), paragraph 13 of the Act that the Governor-in-Council may make regulations not inconsistent with the Act—"as to the mode of making, and the forms of, contracts for annuities, including all requirements as to applications therefor";

Therefore, all forms of application and contract writings for annuities entered upon an individual and group basis are approved by the Governor-in-Council.

SALE OF CANADIAN GOVERNMENT ANNUITIES

Special representatives for the sale of annuities are employed on a commission basis. These representatives are located in the principal centres of population. Annuities field men cover not only the municipality in which they are located, but the surrounding districts, maintaining co-operation with the Postmasters. The sale of annuities in the smaller centres of population not covered by annuities representatives is dealt with by correspondence direct with Head Office in Ottawa.

INTEREST RATES AND MORTALITY TABLES

The interest rate and the mortality table for calculating annuity premiums are set by Order-in-Council as provided in the Act.

The original rates were at 4 per cent interest with mortality according to the "British Offices Life Annuity Tables, 1893". In 1936 an interim increase of 15 per cent in annuity premium rates was made, pending a mortality study to be made by Professor M. A. Mackenzie of the University of Toronto. In 1938 a new mortality table was adopted, namely that contained in the volume "The Mortality of Annuitants 1900-1920". This table is known for short as the a(m) & a(f) table, and it is a projection of the mortality improvement to produce the level of mortality to be expected in 1940. Ages were taken as one year younger than actual age, as Professor Mackenzie's report revealed that the mortality under Government Annuities had been at that level. Increasing longevity, however, forced a further revision of the mortality basis in 1948, when ages were taken as three years younger than actual from the same table. Also in 1948, the interest rate was reduced to 3 per cent, approximately the rate for Government Bonds.

ADMINISTRATION

The Government Annuities Act was initially administered by the Department of Trade and Commerce. In 1912 the administration was transferred to the Post Office Department, and in 1922 the administration of the Act was entrusted to the Department of Labour, which has administered the Act since that time.

The costs of administration under the Government Annuities Act are not made a charge against annuity contract holders, but are paid out of an Annuities administration appropriation voted by Parliament for the purpose. Monies received in consideration for annuities are deposited in the Consolidated Revenue Fund and payment of benefits under annuity contracts are paid out of the same Fund. The increase in administration cost in recent years is accounted for by the general increase in volume of business written and under administration.

Table No. 1 gives administration costs, amounts transferred to maintain reserve, and number of annuities in force in each of the past twenty years.

During recent years a marked growth occurred in the number of Group Annuity Contracts under administration from 4 contracts covering 1,240 employees in 1940, to 900 contracts covering 173,228 employees as of March 31st, 1951.

The increase in the number of Retirement Annuity Plans established is largely due to the generally increased interest in Pension Plans throughout Canada.

Prior to the rate change in April of 1948 the sale of individual annuities was steadily increasing as more and more people in classes not covered by any pension scheme and who were desirous of making provisions for their own old age became aware of the Government Annuities System.

Annexed hereto are the following tables:

Table No. 2—Shows the net amount received in premiums from 1908 to March 31, 1951, and the total annuity benefits paid during that period. This table also shows the net premiums received and benefits paid during each of the past ten fiscal years.

Table No. 3—Shows the number of annuity contracts in force by category (i.e.) vested, deferred individual and deferred group.

Table No. 4—Shows the number of contracts and certificates issued—deferred, immediate and group during each of the past ten fiscal years.

In summary, the Canadian Government Annuities scheme provides a simple and convenient voluntary savings plan for persons resident or domiciled in Canada to provide an assured income for old age.

Government Annuities may be purchased under individual annuity contracts either on the instalment plan or by lump sum purchase.

Industrial employee and other group retirement pension plans may also be implemented by the purchase of annuities under contracts entered into by the employer or organization, pension payments being derived from employer contributions or joint employee and employer contributions.

TABLE No. 1

RE GOVERNMENT ANNUITIES ACT

Fiscal Year	Am't Transferred to maintain Reserve	Adminis- tration Costs	Annuities in force deferred & vested	Adminis- tration cost per annuity
1930-31	\$ 108,644.72*	\$105,000.00	11,781*	\$8.91
1931-32	261,939.35	75,000.00	13,273	5.65
1932-33	289,435.39	57,000.00	14,400	3.96
1933-34	184,237.98	84,177.23	16,565	5.08
1934-35	146,057.46	135,000.00	20,226	6.67
1935-36	271,826.73	187,912.52	26,249	7.16
1936-37	540,831.72	212,036.79	33,685	6.29
1937-38	8,941,195.84	185,955.41	39,015	4.77
1938-39	nil	261,254.56	46,970	5.56
1939-40	379,006.95	276,669.17	54,060	5.12
1940-41	111,425.22	249,540.76	65,780	3.79
1941-42	616,981.58	255,441.52	73,347	3.48
1942-43	497,790.26	264,228.67	81,627	3.24
1943-44	32,180.49	303,917.28	99,430	3.06
1944-45	257,288.00	353,556.72	112,184	3.15
1945-46	293,797.96	400,916.51	133,387	3.01
1946-47	977,069.58	663,412.83	173,254	3.83
1947-48	331,856.85	665,622.45	210,935	3.16
1948-49	11,408,468.42	725,296.90	242,292	2.99
1949-50	1,255,771.76	699,423.84	258,679	2.70
1950-51	615,757.59	752,356.12	275,813	2.23
Grand Total	\$27,521,563.85	\$6,912,719.28		

*From 1908 to March 31, 1930, annuities in force had accumulated to the total of 10,183 and the total amount transferred to maintain reserve was \$1,692,938.46.

Note: All vested annuities (under payment) are valued actuarially each year. Our annuitants who entered into contracts prior to April 19, 1948, have lived and are living longer than was anticipated when the premiums were computed necessitating the transfers shown in this table from the Consolidated Revenue Fund to the Annuities Fund.

In the fiscal years 1937-1938 and 1948-49 all vested contracts were revalued on the revised and stiffened mortality basis then adopted and applicable to new contracts, thus making the substantial transfers shown to have been made in those years necessary to maintain reserve.

Deferred annuities entered into at the old and lower rates are valued upon the basis of current mortality when they mature. In consequence the loss on account of increase in longevity is absorbed at maturity instead of being spread over the life of the contract. It is considered that the current mortality basis adopted in 1948 is adequate for annuities to be sold during the next few years.

TABLE No. 2

Net Premium Receipts and Total Annuity Benefits Paid During Period 1908 to March 31, 1951, and During each of the past Ten Fiscal Years

	<i>Net Premium Receipts</i>	<i>Annuity Benefits Paid</i>	<i>Average Annuity Per Contract</i>
1908			
March 31, 1951	\$652,951,027	\$208,611,091	
1941-42.....	19,630,645	9,763,595	\$398
1942-43.....	20,415,365	10,552,688	396
1943-44.....	26,600,098	11,171,629	397
1944-45.....	33,076,436	12,183,875	398
1945-46.....	46,954,536	13,486,347	408
1946-47.....	72,009,764	15,651,343	418
1947-48.....	75,067,827	18,294,136	429
1948-49.....	64,311,116	21,304,755	434
1949-50.....	63,133,242	23,448,706	439
1950-51.....	59,648,322	24,569,791	447

TABLE No. 3

Number of Contracts in Force by Category as of Mar 31, 1951

Vested	55,026
Deferred—Individual	92,488
Deferred—Group	128,299
Total	275,813

TABLE No. 4

Number of Contracts and Certificates issued—deferred, immediate and group, during each of the past Ten Fiscal Years

<i>Fiscal Year</i>	<i>Individual Contracts issued</i>		<i>Group Certificates issued</i>	<i>Total</i>
	<i>Deferred</i>	<i>Immediate</i>	<i>(all deferred)</i>	
1941-42.....	3,411	1,778	3,404	8,593
1942-43.....	4,094	1,343	4,171	9,608
1943-44.....	4,415	1,371	13,568	19,354
1944-45.....	4,853	1,630	9,313	15,796
1945-46.....	6,098	2,085	17,355	25,538
1946-47.....	9,530	3,644	30,411	43,585
1947-48.....	10,794	3,443	26,708	40,945
1948-49.....	4,821	1,642	29,869	36,332
1949-50.....	3,958	1,431	15,689	21,078
1950-51.....	5,575	1,172	15,028	21,775

GOVERNMENT ANNUITIES ACT

Chapter 7 of the Revised Statutes of Canada, 1927, as amended by Chapter 33 of the Statutes of 1931.

(Office Consolidation of the Act)

An Act to authorize the issue of Government Annuities for Old Age.

WHEREAS it is in the public interest that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows: Preamble.

SHORT TITLE

1. This Act may be cited as The Government Annuities Act, Short title.
1908, c. 5, s. 1.

INTERPRETATION

2. In this Act, unless the context otherwise requires, Definitions.
- (a) "annuitant" means a person in receipt of, or entitled to the receipt of, an annuity; "Annuitant."
 - (b) "annuity" means an annuity issued under the provisions of this Act; "Annuity."
 - (c) "Minister" means the Minister appointed by the Governor in Council to administer this Act; "Minister."
 - (d) "purchaser" means any person who has contracted for the purchase of an annuity. "Purchaser."

3. Until otherwise determined by the Governor in Council under the provisions of paragraph (c) of section two, this Act shall be administered by the Minister of Labour. Adminis-
tration.

4. His Majesty, represented and acting by the Minister, may, subject to the provisions of this Act and of any Order in Council made under the authority of this Act, contract with any person for the sale Sale of
annuities
authorized.

- (a) of an immediate or deferred annuity to any person resident or domiciled in Canada,
 - (i) for the life of the annuitant;
 - (ii) for a term of years certain, not exceeding twenty years, provided the annuitant shall so long live;
 - (iii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period shall be the longer;
- (b) of an immediate or deferred annuity to any two persons resident or domiciled in Canada during their joint lives, and with or without continuation to the survivor.

5. The purchaser may, by the payment at any time of a sum of not less than ten dollars, or by the payment of a stipulated sum periodically at fixed and definite intervals, to any agent of the Minister appointed under the provisions of this Act, purchase an annuity under the provisions hereof: Provided, however, that the amount payable by way of the annuity so purchased shall be subject to the terms of section eight. Payments
by
purchaser.

Payment by
depositor in
P.O. Savings
Bank.

6. Any purchaser who has money sufficient for the purpose deposited in any Post Office Savings Bank, may, upon making demand in such form as is prescribed in that behalf by the Postmaster General, authorize the Postmaster General to transfer to the Minister any sum which such purchaser desires to apply to the purchase of an annuity under this Act.

Purchase of
annuities
by cor-
poration
for its
members.

2. Any society or association of persons, being a body corporate for fraternal, benevolent, religious or other lawful purposes, may contract with His Majesty, on behalf of such of its members as are domiciled in Canada, for the sale to such members of annuities otherwise purchasable by them as individuals under this Act; and any sums of money necessary to the carrying out of this object may be paid by such society or association direct to the Minister, or may be deposited in any Post Office Savings Bank, to be transferred by the Postmaster General to the Minister.

Purchase of
annuities by
employers
for their
employees.

3. Employers of labour may, pursuant to agreement entered into with their employees in that behalf, such agreement to be of a form approved by the Minister, contract with His Majesty for the sale to such of their employees as are domiciled in Canada of annuities otherwise purchasable by such employees as individuals under this Act; and any sums of money necessary to the carrying out of this object, whether such sums are derived from the wages of the employees solely, or partly from the wages of the employees and partly from contributions of the employers, or from contributions of the employers solely, may be paid by such employers direct to the Minister, or may be deposited in any Post Office Savings Bank to be transferred by the Postmaster General to the Minister; but unless otherwise expressly stipulated, any sums so paid shall be held for the exclusive account of the persons in whose names they were deposited respectively.

Annuity
tables.

7. All contracts for the purchase of annuities shall be entered into in accordance with the values stated in tables prepared under regulations made pursuant to section thirteen and for the time being in use.

Limitations
as to
persons and
amount.

8. An annuity shall not be granted or issued on the life of any person other than the actual annuitant, nor for an amount less than ten dollars a year; and the total amount payable by way of an annuity or annuities to any annuitant or to joint annuitants shall not exceed twelve hundred dollars a year.

(By chapter 33 of the Statutes of 1931 the previous maximum of five thousand dollars was changed to the present figure, but with the provision that this should not affect any existing contract for an annuity.)

Maximum
age.

2. Any contract providing for an annuity to commence to be payable at any greater age than eighty-five years shall, as to purchase price, be subject to the same terms as if the age were exactly eighty-five years.

Conditions
of conver-
sion of
annuity of
husband
for wife.

3. When a married man who has purchased an annuity payable to himself applies to have a portion thereof converted into an annuity payable to his wife, or when a married woman who has purchased an annuity payable to herself applies to have a portion thereof converted into an annuity payable to her husband, the Minister may make such conversion, if

- (a) the application is made within the three months preceding the time when the annuity becomes payable; and
- (b) the annuity so made payable to the wife does not exceed one-half of the husband's annuity, or the annuity so made payable to the husband does not exceed one-half of the wife's annuity; and
- (c) the provisions of this Act and any regulations made under this Act are complied with.

9. The Minister may refuse to contract for an annuity in any case where he is of opinion that there are sufficient grounds for refusing so to do.

Refusal
for cause.

10. Except as otherwise provided in this Act, no property, right, title, benefit or interest in, under, or arising out of a contract for an annuity shall be transferable, either at law or in equity.

Rights to
annuity
not trans-
ferable.

2. The Minister shall not receive nor be affected by notice how-
ever given, of any trust affecting an annuity or affecting moneys
paid or payable in respect of an annuity.

Trust not
to be
recognized.

11. An annuity and all moneys paid or payable and all rights under an annuity contract shall be exempt from the operation of any law relating to bankruptcy or insolvency, and shall not be seized or levied upon by or under the process of any court.

Interest
attachable.

2. If the application for an annuity contract is made and the consideration therefor is paid with intent to delay, hinder or defraud creditors, the creditors shall, upon establishing such intent before a court of competent jurisdiction, be entitled to receive, and the Minister is hereby authorized to pay to them or to any person authorized by the court to receive it on their behalf, any sum paid in by the purchaser, with interest thereon at the rate of three per cent per annum compounded yearly, or so much thereof as is certified by the court to be required to satisfy the claims of such creditors, and costs; and thereupon the annuity contract shall be cancelled, or the annuity to become payable thereunder shall be proportionately reduced, according as the whole or a part only of the sum payable as aforesaid is so paid by the Minister; or, if an annuity is then payable under the contract, such payment may be made out of and up to an amount equal to the present value of the annuity so payable, and the contract shall thereupon be cancelled, or the annuity payable thereunder proportionately reduced, according as the whole or a part only of such present value is so paid.

Rights of
creditors
saved.

3. No action shall be brought for the cancellation of an annuity granted under this Act after the lapse of two years from the time at which the payment complained of has been made.

Limitation
of action.

12. When the annuitant or last survivor of joint annuitants dies before the annuity becomes payable, and any moneys have been paid or deposited as consideration for the annuity, such moneys shall be repaid to the purchaser or to his legal representatives, with interest thereon at the rate of four per cent per annum, compounded yearly; but if there is an express agreement between the Minister and the purchaser as to dealing with such moneys, then they shall be paid as provided in such agreement.

Provisions
for return
of moneys
paid if
annuitant
dies before
annuity
becomes
payable.

2. When, under the annuity contract, the annuity is payable for a term of years certain or for the life of the annuitant, whichever period shall be the longer, and the annuitant dies before the expira-

When
term
unexpired.

tion of the said term of years certain, the annuity shall, during the unexpired portion of the said term, be paid to the purchaser or to his legal representatives; but if there is an express agreement to the contrary between the Minister and the purchaser, the annuity shall be paid as provided in such agreement.

Regulations
by Governor
in Council.

13. The Governor in Council may make regulations not inconsistent with this Act,

- (a) as to the rate of interest to be allowed in the computation of values in the tables hereinafter referred to; and as to the rate of interest to be employed in valuing the annuities as provided for in subsection two of section fifteen;
- (b) as to the preparation and use of tables for determining the value of annuities; and the revocation of all or any such tables and the preparation and use of other tables;
- (c) as to the mode of making, and the forms of, contracts for annuities, including all requirements as to applications therefor;
- (d) as to the selection of agents of the Minister to assist in executing the provisions of this Act, and the remuneration, if any, to such agents therefor;
- (e) as to the modes of proving the age and identity and the existence or death of persons;
- (f) as to the modes of paying sums of money payable under this Act;
- (g) as to dealing with an application of unclaimed annuities;
- (h) for the doing of anything incidental to the foregoing matters, or necessary for the effectual execution and working of this Act and the attainment of the intention and objects thereof.

Consoli-
dated
Revenue
Fund.

14. The moneys received under the provisions of this Act shall form part of the Consolidated Revenue Fund; and the moneys payable under the said provisions shall be payable out of the said Consolidated Revenue Fund.

Accounts
to be kept.

15. An account shall be kept, to be called the Government Annuities Account, of all moneys received and paid out under the provisions of this Act, and of the assets and liabilities appertaining to the grant of annuities under the said provisions; and among the liabilities included in the said account at the end of each fiscal year shall appear the present value of the prospective annuities contracted for up to the end of such fiscal year.

Calculation
of present
value of
annuities.

2. The present value referred to in the preceding subsection shall, as to interest, be calculated upon such rate as is fixed by the Governor in Council, and, as to mortality, upon such rates as are used in preparing the tables approved of by the Governor in Council and for the time being in use, as provided for in paragraph (b) of section thirteen.

Return to
Parliament.

16. There shall be laid before both Houses of Parliament, within the first thirty days of each session thereof, a return containing a full and clear statement and accounts of all business done in pursuance of this Act during the fiscal year next previous to such session, and copies of all regulations made during that fiscal year under the provisions of section thirteen of this Act.

HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament
1951

(Second Session)

STANDING COMMITTEE

ON

INDUSTRIAL RELATIONS

Chairman: Mr. A. FRED MACDONALD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

BILL No. 23

An Act to amend the Government Annuities Act

FRIDAY, NOVEMBER 30, 1951

WITNESSES:

Mr. R. Leighton Foster, K.C., General Counsel, and Mr. W. M. Anderson, Chairman, Social Insurance Committee of the Canadian Life Insurance Officers Association; Mr. L. W. Dunstall, General Manager, The Life Underwriters Association of Canada and, also representing The Life Underwriters Association of Canada, Mr. Ralph Foster, Canada Life Assurance Company, and Mr. J. D. Mingay, Prudential Assurance Company.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

ORDER OF REFERENCE

THURSDAY, November 29, 1951.

Ordered,—That the name of Mr. Wylie be substituted for that of Mr. Johnston on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

FRIDAY, November 30, 1951.

The Standing Committee on Industrial Relations met at 9:30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Brown (*Essex West*), Bryce, Byrne, Côté (*Verdun-La Salle*), Fairclough (Mrs.), Gillis, Knowles, Lennard, Macdonald (*Edmonton East*), Pouliot, Viau, Wylie.

In attendance: Hon. M. F. Gregg, V.C., Minister of Labour, Mr. Arthur MacNamara, Deputy Minister of Labour; Mr. C. R. McCord, Director, and Mr. J. G. Fletcher, Actuary, Annuities Branch, Department of Labour; Mr. R. Leighton Foster, K.C., General Counsel, and Mr. W. M. Anderson, Chairman, of the Social Insurance Committee of the Canadian Life Insurance Officers Association; Mr. L. W. Dunstall, General Manager, The Life Underwriters Association of Canada, and, also representing The Life Underwriters Association of Canada, Mr. Ralph Foster, Canada Life Assurance Company, and Mr. J. D. Mingay, Prudential Assurance Company.

The Chairman presented the Second Report of the Sub-Committee on Agenda and Procedure which is as follows:

Your Sub-Committee on Agenda and Procedure having met on Wednesday, November 28, and Thursday, November 29, recommends:

1. That the Industrial Relations Committee meet on Friday, November 30 at 9:30 o'clock a.m., and on Monday, December 3 at 9:30 o'clock a.m.
2. That the representatives of The Life Underwriters Association and the Canadian Life Insurance Officers Association be heard at the Friday meeting.
3. That Mr. W. M. Mercer, Actuary, of Vancouver, be heard at the Monday meeting, if he is present.

On motion of Mrs. Fairclough,

Resolved,—That the Second Report of the Sub-Committee on Agenda and Procedure, presented this day, be now concurred in.

Mr. R. Leighton Foster introduced Mr. W. M. Anderson, who presented the brief of The Canadian Life Insurance Officers Association, was questioned thereon, and retired.

On motion of Mr. Knowles,

Resolved,—That the Committee sit until 11:30 o'clock a.m. today.

Mr. Dunstall introduced Mr. Ralph Foster, who presented the brief of The Life Underwriters Association of Canada. Mr. Dunstall, Mr. Foster and Mr. Mingay were questioned thereon and retired.

Mr. A. MacNamara tabled for the information of the Committee a copy of a report received by him from The Teachers Insurance and Annuity Association of America. *See Appendix "A" to today's Evidence.*

The Committee adjourned at 11:30 o'clock a.m., until Monday, December 3, at 9:30 o'clock a.m.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

NOVEMBER 30, 1951

9.30 a.m.

The CHAIRMAN: Lady and gentlemen, we have a quorum. Your sub-committee on agenda and procedure met and submits its second report as follows: First, that the industrial relations committee meet on Friday, November 30, at 9.30 a.m., and on Monday, December 3, at 9.30 a.m.

Second, that the representatives of the Life Underwriters Association and the Canadian Life Insurance Officers Association be heard at the Friday meeting; and thirdly, that Mr. W. M. Mercer, actuary, of Vancouver, be heard at the Monday meeting if he is present.

Mrs. FAIRCLOUGH: I move that the report be adopted.

Mr. CÔTÉ: I second it.

Carried.

The CHAIRMAN: Gentlemen, we have with us this morning the Canadian Life Insurance Officers Association and the Life Underwriters Association. I am going to call on Mr. R. Leighton Foster, general counsel of the Canadian Life Insurance Officers Association, to introduce his delegation.

Mr. R. LEIGHTON FOSTER, K.C.; Mr. Chairman, Mrs. Fairclough, honourable members. There are associated with me Mr. John A. Tuck and Mr. Duncan MacTavish, K.C., of Ottawa, and we also have several officers and members of our committee here. Mr. J. K. Macdonald is president of the Canadian Life Insurance Officers Association, and also president of the Confederation Life Association; Mr. W. M. Anderson is chairman of the committee which has been studying this bill, and vice-president and managing director of North American Life Assurance Company, and a past president of our association; Mr. Gordon Beatty is vice-president and chief actuary of The Canada Life Assurance Company; Mr. F. J. Cunningham is vice-president and secretary of the Sun Life Assurance Company of Canada, and Mr. George L. Holmes is assistant general manager and actuary of the Manufacturers Life Insurance Company, and also a vice-president of our association.

It might suit your pleasure, sir, to hear Mr. Anderson speak on behalf of the group, he being the chairman of our committee.

The CHAIRMAN: Thank you, Mr. Foster. We will call on Mr. W. M. Anderson, please.

THE CANADIAN LIFE INSURANCE OFFICERS ASSOCIATION

Organized in 1894

SUBMISSION —

made to the

STANDING COMMITTEE

on

INDUSTRIAL RELATIONS

of the

HOUSE OF COMMONS

concerning

BILL NO. 23 TO AMEND THE GOVERNMENT ANNUITIES ACT

at

OTTAWA, CANADA

November 28, 1951

To the Chairman and Members of the Standing Committee on Industrial Relations of the House of Commons:

I

This brief is submitted by The Canadian Life Insurance Officers Association, a voluntary organization formed in 1894 whose membership (listed at the end of this submission) consists of 64 Canadian, British and United States life insurance companies carrying on business in Canada. These companies have in force approximately \$17 billion of life insurance representing upwards of 99% of the total life insurance held by nearly 5 million Canadians. They are also very active in the field of individual annuity contracts and pension plans. Today they are administering annuity contracts in Canada providing for more than \$200 million in annual payments. During 1950 their income in the form of annuity considerations paid by Canadians totalled nearly \$60 million.

Today some 10,000 whole-time life insurance agents are selling annuities and life insurance policies throughout Canada. It is the daily work of these agents to merchandise thrift to the Canadian people. The success of their efforts can be measured by the fact that the companies are administering funds totalling more than \$4 billion accumulated for the benefit of their 5 million Canadian policyholders. This pool of savings represents an average of about \$800 per policyholder and is increasing at the rate of some \$250 million each year.

The life insurance companies are thus playing a vital part in mobilizing the savings of Canadians by helping them to save systematically—a function of the utmost importance to the national economy, since these savings are largely used to finance the building of homes, schools, stores, public works, factories, and other projects so important to Canada's continued growth and development. It is the belief of the companies that some of the amendments to the Government Annuities Act being proposed in Bill 23 will seriously interfere with this vital task.

II

It is the opinion of the life insurance companies that there has never been any justification for the government being in the annuities business except possibly to minimize the prospective burden of old age assistance benefits. With the advent of universal old age pensions even this justification has largely disappeared.

No government outside of Canada undertakes to sell voluntary annuities below cost.

The report of the Royal Commission on the Taxation of Annuities and Family Corporations (1945), referring to the Government Annuities Act, says: "The object of this legislation was stated to be the promotion of habits of thrift and to afford an opportunity for people to provide for their old age at the lowest possible cost and with the greatest possible security. The measure was not designed to furnish annuities for wealthy people but was intended only as an incentive to the person of small means." This intention quite evidently was related to the desirability of minimizing old age assistance problems but this object has been achieved only to a very limited degree. Most individual purchases of government annuities are made by people of the well-to-do class who presumably will not need assistance in old age, and who do not need subsidized annuity rates now, but who nevertheless recognize a bargain and are quite willing to take advantage of it.

The member companies of this Association are firm believers in our free enterprise system and are opposed to any unnecessary encroachment of government in fields of endeavour already satisfactorily served by private business. They think it only reasonable that people who desire to supplement their universal old age benefits by the practice of individual thrift should do so by purchasing annuities or insurance policies from one of the many life insurance companies or by using other savings institutions. It is accordingly submitted that the government should now discontinue the sale of annuities on a voluntary basis.

III

If the government does continue in the annuity business, there is certainly no justification for using a subsidized system of the present or proposed type. It is not a proper function of government to subsidize a small part of the population at the expense of the general taxpayer, especially when many members of that part are better able to take care of themselves than is the average Canadian.

If Bill 23 is enacted, a man desiring to purchase an ordinary life annuity of \$200 per month at age 65 must at existing rates pay a single premium of \$27,960 if the contract is purchased as an immediate annuity, or must make annual payments sufficient to accumulate to this sum if the contract is purchased on the deferred annuity basis. In neither case can it be seriously argued that such a purchaser is a person of modest means who requires government assistance to provide for his old age. Indeed, if this man were to invest such a sum of money in the government's own bonds, he would receive less favourable terms than he could obtain by buying any other Canadian bonds.

Company annuity rates are currently from 5% to 15% higher than government rates, partly due to more active merchandising and servicing and partly due to subsidy. The people of Canada, with few exceptions, are unaware of the actual reasons for this rate differential and erroneously conclude that the companies are either making excessive profits or operating inefficiently. This is grossly unfair to the companies because, despite their efficiency of operation, they derive little or no profit from their annuity business due to the long-term trends in interest, mortality and price levels.

It has always been the practice of the government to bear the costs of administering the Government Annuities Act. These costs are currently reported to be approximately \$800,000 per annum, but this covers only some of the direct expenses, such as salaries, agents' commissions, advertising, office supplies, etc., and none of the indirect expenses. If all expenses, direct and indirect, were taken into account, the true administrative costs

would be substantially higher. In addition, the government's rates will always contain an inevitable element of subsidy due to the government's practical difficulty of making proper allowance for:

- (a) the interest rates which will prevail many years after issue when future purchase price instalments are being paid; and
- (b) the substantial prospective improvements in annuitant mortality.*

It is therefore submitted that, if the government continues in the annuity field, it should adopt self-supporting premium rates taking account of the true costs of administering the Act, and reflecting realistic assumptions as to prospective interest and mortality factors.

IV

If the government adheres to its announced policy of continuing to sell annuities at subsidized rates, then it is of paramount importance that such annuities should be restricted in both amount and character.

The proposal that the maximum annuity purchaseable be raised to \$2,400 violates the underlying philosophy of the Government Annuities Act that subsidized rates were only intended to assist the person of modest means in making orderly provision for his old age. In the debates on this subject at this session of the House of Commons, it has been argued that the proposed increase in the maximum annuity purchaseable will be of no use to the great majority of Canadians and, in particular, will be of no assistance to people of modest means. It is also relevant to note that the benefits of the subsidy have never been distributed on an equitable basis because:

- (a) The cost of the subsidy has been borne by the general body of taxpayers but has been of benefit only to those who voluntarily purchased a government annuity, including many of the well-to-do class who are in no need of a subsidy.
- (b) The individual who has been able to afford an annuity of maximum amount has enjoyed a much larger relative share of the total subsidy than the citizen in more humble circumstances who has only been able to afford a small annuity. This result is in direct conflict with the basic principle that social subsidies should never be granted on a basis whereby the well-to-do recipient benefits more than the less fortunate one.
- (c) Many employers have established pension plans through the medium of government annuities. In most such cases it is the employer who benefits from the subsidy because his employees will normally make the same contributions (a percentage of their salaries) as if the plan had been established in some other way.
- (d) Large numbers of Canadians of modest means have not been in a position to share in the subsidy (although they may be paying a portion of its cost through taxation) because they have chosen to invest all their savings in homes, farms and small businesses.

The inequitable distribution of the subsidy creates many injustices even under present conditions and it is obvious that a further increase in the limit will only serve to aggravate the situation.

* The problem of selecting an appropriate basis of mortality for annuities commencing in different calendar years is a peculiarly complex one and has been the subject of exhaustive study by Mr. Wilmer A. Jenkins, F.S.A., A.I.A., who is Administrative Vice-President of the Teachers Insurance and Annuity Association of New York, an acknowledged authority on annuity matters, and the actuarial consultant retained by the Department of Labour in connection with the rate revision of 1948.

It is sometimes argued that the limit of \$1,200 should be raised because of the lowered purchasing power of the dollar. Actually the present limit is much too high for subsidized annuities. There is literally no justification for subsidizing annuities of an amount which, together with the universal old age pension, would give the annuitant a purchasing power greater than the average expenditure per person in Canada. As well as this, the limit should be within the savings ability of the great majority of Canadians and within the area where old age assistance benefits may otherwise be required.

For these reasons, it is submitted that, if the practice of offering annuities at subsidized rates is continued, the maximum amount of annuity purchaseable should be reduced substantially from the present level.

V

The proposed introduction of cash surrender values is a radical departure from the tradition and purpose of the government annuities system and of major concern to the life insurance business.

Heretofore the government has always been in the annuity business in a limited way—limited as to the maximum annuity purchaseable and limited as to the type of contract offered. Its contracts have always been deliberately inflexible. In particular example, it has always been a cardinal feature of the Act that owners of government annuities have not been permitted to withdraw their funds except as life annuities. The purpose of the legislation has always been to provide retirement income solely in the form of life annuities.

Attention is directed to the following significant statement made on June 14, 1934, to the Special Committee of the Senate on Public Accounts and Estimates by Mr. E. G. Blackadar, A.S.A., then Superintendent of the Annuities Branch:

“... We absolutely refuse to pay out a man's money. We protect him against doing anything foolish. He has got to draw the money in an annuity. If he is destitute at forty-five and has enough to his credit to buy an annuity we give him an annuity then.”

Many people have always felt that the only possible justification for the sale of government annuities below cost was that its contracts were inflexible and that all contributions were “locked in” so that they could never be used by the purchaser under any circumstances for any purpose except to provide an annuity.

There is ample evidence to indicate that it has never been the government's intention to interfere with the operations of the life insurance companies in such a way as to restrict the services they are offering to the public. For instance, the late Hon. Mr. W. S. Fielding remarked in the House of Commons on March 12, 1920, that “it was never intended that this should be a scheme to compete with insurance companies.” And yet, the introduction of cash surrender values would accomplish exactly this result. It would not only drive the companies out of the annuity field but it would also interfere seriously with the sale of all insurance policies involving long term savings.

It is axiomatic that no private business of any kind can survive if the government offers at less than cost, on exactly the same terms, the identical service or product as that of the private firm. This is precisely what will happen in the life insurance business as now conducted if future purchasers of government annuities are given a cash surrender privilege because this privilege is presently the most significant difference between government annuities and company annuities.

It is largely because of the rigidity of government contracts and the flexibility of company contracts providing cash surrender values that life insurance agents are enabled to remain in the business along with the government today, notwithstanding the current differential in rates. However, if Parliament concludes to allow cash surrender values and, accordingly, government contracts which are essentially on "all fours" with those of the companies are offered at subsidized rates, these agents will feel compelled, except in special cases, to cease their efforts to sell annuities, because they will be unable honestly to ask a client to pay more than the government charges for an identical contract.

Life insurance agents will also be frustrated in their efforts to merchandise all life insurance policies involving long term savings and may be driven into the position of selling purely protective forms of life insurance almost exclusively. Nor can a few government salesmen selling only one kind of security ever reach the broad cross-section of the public being served today by the companies' 10,000 agents with their wide variety of life insurance and annuity contracts providing for family security.

Since the companies will no longer be able to function effectively as the reservoir for a substantial part of the savings of millions of Canadians—a function which they are presently fulfilling to the extent of adding some \$250 million net to these savings each year—it follows inevitably that there will be a marked reduction in the overall savings of the Canadian people.

For the foregoing reasons it is submitted that cash surrender privileges should not be introduced in government annuity contracts by either direct or indirect means. Not only should clause (e) of subsection (1) of proposed new section 13 of the Act be withdrawn from the Bill, but the other provisions of the Bill relating to term certain annuities, refunds of purchase price, assignments, etc., should be reviewed and revised in order to make certain that none of them can be utilized to provide cash surrender values indirectly.

VI

The life insurance companies believe that the government should not continue in the voluntary annuities business at all, and certainly not with subsidized rates. However, if the government remains in the annuity field at subsidized rates, they urge:

- (a) that the maximum amount of annuity purchaseable be reduced substantially from the present level; and
- (b) that the cash surrender privilege be not granted.

The companies believe sincerely that the considerations outlined in this brief are of the utmost importance and that their contribution to the Canadian economy will be seriously endangered if Bill 23 is enacted in its present form.

MEMBERS OF EXECUTIVE COMMITTEE

THE CANADIAN LIFE INSURANCE OFFICERS ASSOCIATION

Ætna Life Insurance Company, J. B. Slimmon.
 Alliance Nationale, Roger Des Groseillers.
 Bankers Life Company, E. M. McConney.
 Caisse Nationale d'Assurance-Vie, H. Ouimet.
 The Canada Life Assurance Company, E. C. Gill.
 The Commercial Life Assurance Company of Canada, E. B. H. Shaver.
 The Confederation Life Association, J. K. Macdonald.
 Connecticut General Life Insurance Company, Frazer B. Wilde.
 Continental Assurance Company, Howard C. Reeder.
 The Continental Life Insurance Company, N. J. Lander.
 The Crown Life Insurance Company, H. R. Stephenson.
 The Dominion Life Assurance Company, A. S. Upton.
 The Dominion of Canada General Insurance Company, J. E. White.

The T. Eaton Life Assurance Company, A. E. Harkness.
 The Empire Life Insurance Company, C. P. Fell.
 The Equitable Life Insurance Company of Canada, M. J. Smith.
 The Equitable Life Assurance Society of the U.S., R. D. Murphy.
 The Excelsior Life Insurance Company, T. O. Cox.
 Fidelity Life Assurance Company, M. B. Farr.
 The Great-West Life Assurance Company, H. W. Manning.
 The Imperial Life Assurance Company of Canada, J. G. Parker.
 The Industrial Life Insurance Company, A. F. Muth.
 John Hancock Mutual Life Insurance Company, Byron K. Elliott.
 La Laurentienne Life Assurance Company, Dr. J. A. Tardif.
 Life Insurance Company of Alberta, R. Murray Marven.
 The London Life Insurance Company, R. H. Reid.
 London & Scottish Assurance Corporation Limited, James Young.
 The Loyal Protective Life Insurance Company, John M. Powell.
 The Manufacturers Life Insurance Company, J. H. Lithgow.
 Maritime Life Assurance Company, B. Lockwood.
 Massachusetts Mutual Life Insurance Company, L. J. Kalmbach.
 Metropolitan Life Insurance Company, Glen J. Spahn.
 The Monarch Life Assurance Company, G. C. Cumming.
 Montreal Life Insurance Company, W. Leslie Nicholls.
 The Mutual Life Assurance Company of Canada, A. E. Pequegnat.
 The Mutual Life Insurance Company of New York, Leigh Cruess.
 The Mutual Life & Citizens' Assurance Co. Ltd., B. W. Robinson.
 The National Life Assurance Company of Canada, L. C. Bonnycastle.
 New York Life Insurance Company, Wm. Macfarlane.
 North American Life Assurance Company, W. M. Anderson, C.B.E.
 North American Life & Casualty Company, Howell P. Skoglund.
 North British & Mercantile Insurance Co. Ltd., Alfred Campbell.
 The Northern Life Assurance Company of Canada, G. W. Geddes.
 Norwich Union Life Insurance Society, C. L. Drewry, M.B.E.
 Occidental Life Insurance Company, Howard J. Brace.
 Paul Revere Life Insurance Company, William E. Hamilton.
 Phoenix Assurance Company Limited, Ralph M. Sketch.
 Les Prevoyants du Canada, Gerard White.
 The Provident Assurance Company, Etienne Crevier.
 The Provident Life & Accident Insurance Company, R. J. MacLellan.
 The Prudential Insurance Company of America, R. M. Green.
 The Prudential Assurance Co. Ltd., H. D. McNairn, M.B.E., K.C.
 Royal Insurance Company Limited, James Matson, C.B.E.
 Royal Guardians, W. F. Patterson.
 La Sauvegarde Life Insurance Company, N. Ducharme.
 La Solidarité Life Assurance Company, R. Manseau.
 The Sovereign Life Assurance Company of Canada, H. M. Meiklejohn.
 The Standard Life Assurance Company, E. Lindsay Armstrong.
 Sun Life Assurance Company of Canada, G. W. Bourke.
 La Survivance Mutual Life Assurance Company, Napoleon Laplante.
 Toronto Mutual Life Insurance Company, Miss L. G. Nicholls.
 The Travelers Insurance Company, R. C. Dimon.
 Union Mutual Life Insurance Company, R. E. Irish.
 The Western Life Assurance Company, O. S. McCombie.

Mr. W. M. Anderson, Vice-President, North American Life Assurance Company,
called:

The WITNESS: Mr. Chairman, honourable members. I understand that all of you have received mimeographed copies of our submission. I do not want to dwell at length on its contents because, subject to questioning, I believe that

it speaks for itself. Very briefly, the position that the life insurance companies have taken in connection with this proposed legislation is that they have never felt that the government should engage in the selling of voluntary annuities; more particularly since the enactment of the universal old age pension legislation, they feel that there is even less reason for the government to remain in the annuities field. Likewise, we have never felt that, when the government does sell a voluntary annuity, it should be sold on a subsidized basis. The reasons for that feeling are expressed in our brief. On the other hand, we can well realize that, either by intent or inherently, the government, if it does sell voluntary annuities, will almost inevitably be forced to do so on a subsidized basis. We take the position, for reasons which we cite, that, if the government continues in the field of selling voluntary annuities at subsidized rates its position is not justifiable unless it does two things, firstly, in the light of present circumstances and for reasons which we cite, it should reduce rather than increase the maximum annuity which it is willing to sell on a subsidized basis, and secondly, it should not move into a position where cash surrender values are granted on its annuity contracts either directly, as is intended by the legislation, or indirectly, as may be provided by certain other sections of the legislation. Our views are to the effect that if the bill is enacted in its present form, it will have the direct effect of driving the life insurance companies out of the annuity business and indirectly it will have the effect of threatening and endangering the long term savings provisions which are contained in life insurance policies. It may, therefore, have the tendency of forcing the companies and their field forces more and more to the sale of pure protection, but sales by the government will by no means make up for the decline which may occur in systematic savings through the life companies, and the overall effect may easily be that the total systematic savings by Canadians will decline. In our opinion this would have a very bad effect upon the mobilization of capital for Canada's growth and development and also upon the program of control of inflation. We also believe that there are other problems associated with the question of subsidy of government annuities which relate to the maldistribution of the subsidy as between purchasers, and that this situation is not in the public interest. Accordingly, while our views are quite naturally put forward in an attitude of self-interest, we are convinced that, just as is normally the case, our own self-interest is identified with the public interest because we endeavour to operate the life insurance business in such a way that that is always so.

I think, Mr. Chairman, that this presents our point of view briefly, although, as you will realize, I have not attempted to detail the reasons contained in the brief through which we have reached this point of view.

The CHAIRMAN: Thank you, Mr. Anderson. The brief was distributed to the committee yesterday.

Mr. KNOWLES: That brief should be on the record, should it not, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. CÔTÉ: Will it not be in order, Mr. Chairman, to have the brief printed in the record immediately following the opening remarks of the witness? That will facilitate discussion of the points he has made.

By Mrs. Fairclough:

Q. Mr. Chairman, I would like to ask Mr. Anderson this question: In 1931, when the maximum annuity was reduced from \$5,000 to \$1,200, did your association make representations to the committee or to the government at that time protesting against that move?—A. At that time the government annuity system was not by any means in the same position that it is in today.

My recollection is that at that time government annuities were offered over the counter, as it were, that the system was not being used to provide group annuities for employees, and, furthermore, that the state of the government bond market was of such a character that it was difficult to take the view that the government annuities were being subsidized. That meant, of course, that the action taken by the government was not of a character where it had any effect on the life insurance companies.

Q. I will leave that for the moment. Would you explain briefly what the experience of the companies has been with regard to the cash surrender aspect of their policies? Do you find that there is a tendency to cash in on these policies at any given period of time. For instance, do you have a great many applications for cash, say, after—I believe there is no cash surrender value till after three years, is that true?—A. No, that is not true.

Q. Well then, where is there the greatest tendency to cash them in?—A. The majority of the companies are writing deferred annuity contracts with a cash value right from the beginning in the first year. And there is a fairly heavy tendency for them to terminate by way of surrender in the very early years. After the first two or three years the tendency to surrender declines quite rapidly, and it is only of moment during a period of depression. Remember that the companies in issuing deferred annuity contracts with a cash surrender value are also giving a policy loan privilege. A great many annuitants purchasing annuities require temporary funds sometimes for emergency purposes. They will obtain these funds by borrowing on their policies and later repaying the loan, rather than surrendering the policies.

Q. Leaving out the matter of borrowing against the policy, it is apparently a matter of meeting an emergency?—A. Except that the policy loan avoids surrender of the policy.

Q. Let us now deal with the complete surrender of a policy. Would you say that the period was one of three years or five years in which it was likely to occur?—A. No, I think it would be earlier than that.

Q. And with that in view is there any particular sum which appears to be attractive?—A. What do you mean?

Q. Do you find that there is a tendency to withdraw on the part of the people who have, let us say, \$1,000 in such a contract? Does that appear to be an attractive sum which they might like to take out and invest in some other type of security, or take out and spend? Or would it be a matter of \$500, or \$2,000? What would be the average?—A. I cannot answer that question directly. I think that one of the life underwriters who may be appearing here later might answer the question for you better than I could. Most people buy life insurance policies or annuity policies for a particular purpose. Frequently people will buy a contract and surrender it later at a time when there is a certain amount of money accumulated in it. They may be saving up for a trip around the world, or even for a trip to the next town, if they are in more modest circumstances. And in addition to that, people's own circumstances change.

People will buy systematic savings contracts with the best of intentions, yet when their circumstances change later on, they find it more appropriate to use the money otherwise. Our objection to the introduction of cash surrender values in government annuity contracts, from the point of view of the public interest is, of course, that the system is designed to facilitate long term savings for retirement. Whatever justification there may be for subsidies for that purpose, it does not relate to a system which is subsidized for the purpose of providing shorter term savings for people.

Q. You would not say, then, that there was any general movement by people to cash in their annuity contracts?—A. No.

Q. Do you think there is a trend among working people to save for a short time and then, if they see something which is attractive to them, to withdraw that money?—A. No. As a matter of fact, the annuity policies which are sold by the companies are not attractive as short term savings contracts. We advise all of our purchasers of deferred annuity contracts that they should not buy them unless they are contemplating long term savings and we tell them that the contract would not prove to be a good one if they have to surrender it within a few years.

By Mr. Knowles:

Q. A person actually will lose if he surrenders it within a short time?—A. Yes, Mr. Knowles, everybody loses. The company loses, the person who purchases loses, and our field men lose.

Q. Is there not a feeling on the part of your companies of opposition to the cash surrender value feature in government annuity contracts, and that they should not have it in their annuity contracts?—A. In one sense, as I have endeavoured to indicate, we want to grant as flexible contracts as we can. If it were possible for us in practice to grant contracts without a surrender value, we might do so for certain purposes; but it is completely impractical because we cannot make our contracts non-assignable. The government contracts have been non-assignable, but if we issued a contract today which had no cash surrender value, what would happen? If the individual wanted to cash in on it, he would do just as he would do in England, he would sell his contract to somebody, and perhaps he would do so at a substantial loss; so we do not think it would be fair for the life insurance companies to issue assignable contracts without cash surrender values.

By Mrs. Fairclough:

Q. I believe you stated that if the government annuities provide cash surrender values, it would leave the life insurance companies with no advantage over government annuities. Is there no other advantage that the insurance companies have over government annuities? What else do you have that makes them a more attractive purchase than a government annuity?—A. You are speaking of our deferred annuity contract as compared with a government annuity, if they both contain cash surrender values?

Q. Yes.—A. We provide a different type of service in the sense that we deal with people from time to time and endeavour to keep them saving systematically. We have this assignment privilege which we must grant, because there is not any satisfactory way for us to deny the purchaser the right to dispose of his own property. We are not in a position where we can legislate as the government can in connection with its contracts. We have provisions for loans and settlement options. There are certain other provisions which can be arranged but do not relate directly to contracts, such matters as provisions for disability income. It is our opinion that the situation will undoubtedly be one where the main elements of the contracts, the cash which is available, the annuity which is available, will be comparable under the two contracts, and the government contracts will be sold at lower rates. Under those circumstances it is rather difficult if not impossible for our agent to recommend to the purchaser that he should buy from the insurance company when the main contract is the same and the government price is lower.

Q. Would you say these additional services which you offer have a tendency to greatly increase your costs?—A. I would think offhand that the difference between the government rates and ours contains a significant element which relates to the cost of our more aggressive merchandising and our more extensive servicing.

Q. If you will permit me to come back to this matter of the maximum, you said that in 1931 or thereabouts you did not consider the government was subsidizing the scheme to any marked degree. Now, I have a table of the amounts transferred to maintain reserves going back to 1930 when, with less than 1,200 annuities in force, the amount transferred to maintain reserves was \$108,000, which was a unit cost of \$8.91. True, the amount has grown with the number of units in force, and it has increased to the present time so that \$615,000 has been transferred and the unit cost was \$2.23. Will you agree with me it is a matter of opinion whether it is a less desirable situation to have the unit cost greatly reduced or have the smaller amount?—A. You are speaking of mortality subsidies?

Q. No, I mean the amount transferred, which is the amount of subsidy to maintain reserves.—A. Don't forget this: The amount transferred to maintain reserves, as I understand it, has been transferred from year to year to meet the actual mortality losses which are arising, and in addition on certain occasions there have been large transfers for the purpose of strengthening the valuation system. Even today the government annuity system is in the position where it has a great many deferred annuities in force written up to 1948 which will mature many years in the future and where the provisions for mortality losses, by reason of the assumptions under which they are sold, will not come into the valuation until they vest and become payable. The transfers which have occurred during the interval up to date do not represent the full potential mortality losses on the annuities which have already been sold.

Q. Do you have any figures to show the average yield of annuities which are sold by life insurance companies?—A. In what respect?

Q. The other day I believe in questioning the government officials a figure of \$447 was given. Can you give the average of the value of annuities which the insurance companies have; are they very much higher than that?—A. I have certain figures as to the annuities of the companies and they indicate that on our annuities which were in force at the end of 1950, the deferred annuities average about \$800 per contract and the vested annuities, the ones now being paid, average about \$450 per contract. The figures are slightly different for the new contracts which are being sold.

By Mr. Knowles:

Q. Have you any figures as to the number of annuities in force with insurance companies, and also figures as to the net premium receipts per year? The reason I ask that quite frankly is that we have figures from the annuity branch and I would like to know what the volume of business done by the insurance companies is compared to the government branch.—A. These figures are taken from the federal Department of Insurance report and have been brought in from several different places in that report. At the end of 1950 there were in force in Canada in all life insurance companies 237,000 deferred annuities which provide for annual payments of \$184 million. There were 35,000 vested annuities providing for annual payments of \$16 million.

By Mr. Pouliot:

Q. If I am permitted, I will come back to the additional service you refer to. You come here with your associates because you have some concern about the possible competition you would have from government annuities. Now, do you advertise your additional services?—A. Yes.

Q. And they indicate the superiority of what you are offering and therefore decrease your concern about competition from the government annuities?—A. Mind you, we do not pretend to be able to do anything the government cannot do but we cannot subsidize annuities.

Q. You offer additional services which mean an additional benefit to the insured people?—A. Part of the cost we use for the purpose of encouraging them to save systematically by keeping in touch with them to continue saving. We are doing things the government annuities branch is not doing and it costs us money to do that, and we must charge to do it.

By Mr. Brown:

Q. For instance, you bill these people?—A. Yes.

By Mr. Pouliot:

Q. Do you realize what is the real superiority of government annuities over insurance company annuities?—A. You mean at the present time or as you are proposing?

Q. I will tell you I do not think it is subsidizing. Government annuities are much more accessible than what you may offer to the Canadian public and those who want to buy government annuities can have them in many places your agents cannot cover.—A. I would quite agree that they are more accessible in the sense they are available through any post office. On the other hand, we are firmly convinced that people in general are not prone to save systematically unless they are encouraged to do so by somebody.

Q. I come to a point that may interest you. Have you considered centralization of your agencies so as to compete with the government annuities and take advantage of the publicity that is used extensively by your insurance company?—A. As a matter of fact, Mr. Pouliot, according to our knowledge, in the past it has been our people who have been directly responsible for a man buying an annuity from the government in many cases where we felt that the purchase of a government annuity was the proper thing for a man to do, and he bought one quite readily on our recommendation that he should buy a government annuity; and government annuities have often been sold in the past by life insurance agents rather than by people getting the idea themselves that they should buy a government annuity because it was a good thing for them to buy.

Q. Well, you know, life insurance people are not in the business for the fun of it, they are there to make money, but another fact in that connection is that your offices are not as decentralized as those of the government. Of course, you have agents out all over the country and it is human for an insurance agent to try to get all the business that he can.—A. Mr. Pouliot, there are occasions on which the life insurance business recommends to a man that he buy a government annuity, as the life insurance business has done in the past; but, if we were to do that with practically every customer then we would no longer be able to make a living.

Mr. POULIOT: Very well, Mr. Chairman. I do not wish to pursue that point further at the moment. I agree with you, sir.

By Mr. Knowles:

Q. I wonder if I might pursue further the figures that you mentioned a moment ago to get them clarified and also so as to compare them with the other figures. You gave figures for contracts and one of those figures was 237,000 and the other was 35,000.—A. Yes.

Q. I wonder if you would mind telling us again what those figures were?—A. The first figure was that for the number of deferred contracts in force at the end of 1950, and the other figure was for the vested contracts; and there was also another figure for annuity considerations received last year of \$59 million.

Q. And the amount paid out last year was, what?—A. I haven't got the figures for that amount with me, but it will obviously be approximately \$16 million, which represents the amount of annual payments on vested annuities. As well as that, there are further payments, surrender values, death benefits on annuities which have not yet vested.

Q. There is the other relationship which could be worked out, the difference between your figures and the government figures. We were informed the other day that there were 275,000 government contracts, of which 55,000 were vested; and the net premium receipts in the last year were \$59 million, and the annuities benefits paid were \$24 million, and there were other differences. On the other hand, from the government figures and your own figures, there seems to be about the same amount of business in force, it seems to be about evenly divided.—A. I would think that was a fair remark, Mr. Knowles. At the present time about half the annuity business in Canada is being done by the government and about half by the companies.

Q. And the relationship of the business of the life insurance companies with respect to annuities as compared with other forms of life insurance is a factor; how large a factor is it in the total activities of insurance companies?—A. Well, in the case of policy reserves which in effect are the amounts of savings accumulated to date under insurance and annuity plans, for the companies about 20 per cent of their policy reserves are annuity reserves; in other words, of the savings which are held, about one-fifth are held in the form of deferred or vested annuities; and, in addition to that, there are large numbers of endowment insurance policies which contain substantial savings elements. For instance, in the case of a long term endowment maturing at age 65, the savings in such a policy are included in our insurance reserve, but frequently that type of policy would be paid in the form of an annuity. So, as I have indicated, about 20 per cent of our reserves are in the form of annuities. However, there is a substantial but unknown part of our insurance savings which will be turned into annuities.

Q. In other words, you say that one-fifth of your business is in the annuity field and the other four-fifths is in endowment policies and other forms of insurance?—A. That is, if you measure according to the savings to date in these contracts. Now, that is about the only satisfactory method of measuring how much is being saved in a company under annuity policies in relation to the company's total insurance business. In recent years the annuity reserves have been increasing more rapidly than have the life insurance reserves.

Q. Now, I want to ask you another set of questions which are related to this, perhaps only in a limited way. You have already referred to the change in rate in government annuities in April of 1948. Perhaps you will pardon me for the comment that I would like to make, that you people did not come here in 1948 and object to that change in rate.—A. No, we did not.

Q. Some of us thought that the result of that might be to transfer the business that had been written on government annuities to private insurance companies. However, the figures would seem to indicate that the net result of that change had little or no effect on your business but that it had a quite disastrous effect on government business. The number of contracts sold by the government annuities branch in the years immediately following that change of rate was cut roughly in half while the annuities sold by the private companies remained at just about the same figure. So it would seem, in other words, that the result of that change was not to hurt you; or, was not to help you, but certainly hurt the other business. I just wondered if in the light of that experience you were on sound ground in anticipating that this change is going to affect your business adversely. Might it not be that this change would increase the government business and put it very much the same as it was in 1948?—A. Well, Mr. Knowles, don't forget that at or about that same time

the companies were all increasing their rates for annuities, for somewhat similar reasons. Mortality was declining rapidly, interest rates were still dropping. Therefore, the premium rates were too low. Also we were beginning to feel the impact of inflation upon administrative expenses. I think that almost every life insurance company, between 1946 and 1949 increased its annuity rates. Now, all that happened as far as I can see, is that the government had continued in a very heavily subsidized position on the rate basis which it had in force since before the war. More particularly after 1946, when the royal commission recommendations on annuity taxation were made and accepted and when people were therefore placed in an equitable tax position, the high government annuity sales reflected the situation that the public were being allowed to buy at a very cheap rate and were, in fact, buying quite heavily. For these reasons, government sales in the years just prior to the rate change were very high.

Our views about this matter is that you were selling a lot of annuities at heavily subsidized rates—and undoubtedly during the period just prior to 1948 I think they could be regarded as heavily subsidized on the combined factors involved. The difficulty is that large annuities are sold to a great extent to people who do not require subsidy—people who were buying at that time the full \$100 a month annuity were in general people who in no sense of the word could be regarded as requiring subsidy. If the government, during that period, had been selling annuities for \$40 or \$50 a month as a maximum amount which it was otherwise obligated to recognize in allowable income for our previous means test pensions, if they had been selling up to that amount even at lower rates, then I do not think anybody would have been concerned. However, when they were selling annuities of as much as \$100 a month, which was well beyond the amount that the vast majority of Canadians could buy, it certainly seemed to us that the presence of heavy subsidy as it then existed was in effect providing a bargain for people who did not require bargains.

Q. I recognize the factors you have drawn attention to, Mr. Anderson, but it does seem to me to be still a matter of record, despite the changes both groups made, the government and companies, in terms of increasing rate, that you were able to maintain your business and the government business dropped.

Now, in what you have said, you raise the whole question of the principle—which is basic to your brief—as to whether or not the government, society, should be in this business at all.

I suppose I should be careful or I will be getting away from questions and making a speech—but I would be interested in hearing from Mr. Anderson on this point. I note that he refers to people having enough that they do not need assistance. Of course, he would admit that with the declining value of the dollar even people in what were lower income brackets need to anticipate a little higher amount on which to retire. If the principle is sound that we should provide a universal old age pension of a minimum amount on the basis we have it now, or at least that we will have it in 1952, is it not a sound principle that we might also assist people who voluntarily want to do it to supplement that basic \$40 up to a reasonable figure.

Now, I am asking a rather leading question. Maybe I would agree with you that there is a ceiling beyond which the subsidy principle should not necessarily go, but would you not agree with me that there is room for some of that element beyond the \$40 figure determined by the Old Age Security Act?—A. Well I certainly agree with you to this extent. It is very desirable that the government should do everything it can to encourage supplementary savings for old age. It is important to the individual families; it is important to the nation at large. But, it seems to me to be a completely improper method in carrying this out to say: In the first place we will only grant this encouragement if you save in a certain way. If you save by buying a home, you will

not get the subsidy. If you save by buying a farm, you will not get the subsidy. You must put it into our annuities account before the subsidy is available.

Further than that, even among the people who had put savings into government annuities, it seems to me improper for people who can afford the maximum to get many times the subsidy that the people who can only afford to buy small annuities can get.

Q. I think you are on strong ground there but I am glad to know that you go with me on the other point—at least up to a line we have not yet tried to draw.—A. We have been in a position where we have encouraged savings in other ways. For example, under the tax laws we are in a position where we encourage organized savings by pension schemes. We grant certain tax concessions in the way of exemptions for contributions to those schemes.

Q. If they are plans that national revenue approve?—A. Yes, but they do not require them to be taken with the Government Annuities Branch to take advantage of the tax concessions. An employer can have his own plan, if he chooses to do it that way, and get the same tax approval terms as if he bought it from the government.

By Mr. Gillis:

Q. Mr. Anderson, you stated that your contracts were assignable and had a cash surrender value. Can you give us any idea, say over a five-year period, as to the percentage of people who took contracts and either assigned them or surrendered them? I refer to people who were obliged, in other words, to give up their contracts within a period of five years.—A. I cannot give you figures that would be meaningful.

Q. There would be quite a number of them?—A. The surrender figures are of course available. It is possible to determine rates of surrender, remembering of course that frequently surrenders are just the completion of the original design. It is just what the purchaser intended to do—to buy a contract for so many years and then drop it. I do not think that any companies maintain over-all figures as to the extent to which their contracts are assigned.

Q. I am not particularly anxious about the ones that are assigned, but I am about the ones surrendered. What I have in mind is this. The government annuity has no surrender value, and your companies over the years will make quite a bit of money if a man carries a contract for five or six years and is obliged to surrender it. He loses most of the equity in his contract. That money then accrues to your company. In that way, I would like to get some idea over a certain period of just about what income your companies have as against the government annuity—on that loss of contract matter.—A. First I would like to correct a wrong impression. A life insurance company does not make any money on contracts that are surrendered in the early years. As far as the companies are concerned, dealing with the people who surrender, the surrender value merely represents the approximate difference between the premiums which have been paid plus the interest earned on those premiums, and the expense the company has incurred in respect of the contracts.

Mr. KNOWLES: And the protection that has been had in the meantime.—A. Yes, in the case of contracts involving insurance benefits.

By Mr. Gillis:

Q. I am not concerned with that point, I am concerned in the actual cash that accrues to the company. If I have paid \$500 on a contract and I surrender that contract, then I get only a small percentage of my money back. That is the point I am making.

I am talking about annuities, Mr. Anderson, and you made reference to the fact that they were assignable and had cash surrender values. I am thinking here in terms of the loss to the man who bought the contract?—A. In the case of our deferred annuity contracts, as we now sell them, it would be about ten or eleven years before the cash surrender value would equal the payments that had been made. In other words, the interest we have earned on the money up to that point is equal to the expense which we incurred up to that point.

Q. I am thinking in terms of savings of the individual who purchased the contract and the amount that he loses in that transaction?—A. At the end of ten years he would have lost the interest on his money.

Q. Obviously your annuity is providing a means of saving for the individual—A. Long term saving.

Q. But in the process he loses a certain amount of money. In relation to the principle of saving money he has lost that money—and as far as the government annuity is concerned there is no cash surrender value. That principle, in terms of saving, has to be taken into consideration.

Now, secondly, can you give us any idea of the percentage of people in Canada on average incomes, and I think the average income of Canadians is around \$2,000, what percentage of the people in this country on that income are able to take advantage of the annuity contract you sell—or a government annuity contract as far as that is concerned? I think for either the government annuity or your annuity there is only a very small percentage of people in this country able to use that medium of saving for the future —A. As I pointed out, a great many people do not use that medium; they use insurance policies which involve savings. As you well know life insurance companies have one or more insurance policies in at least four out of every five Canadian homes.

Q. Well,—they are people who buy a little protection, something to bury them after they are dead. That insurance is all right, but I am thinking in terms of the large majority of the people in Canada.

Another thing I have in mind is that the methods in this whole annuity question, in terms of the advances we are making in social security, are becoming outdated and will require a lot of revision.

Mr. POULIOT: Are you through, Mr. Gillis?

Mr. GILLIS: For the time being.

By Mr. Pouliot:

Q. Mr. Anderson will you please tell us if the commission rates to the agents of the various companies are uniform?—A. By no means.

Q. By no means?—A. There is a difference between the commission rates as between companies, differences in the premium rates, differences in the cash surrender values. Each life insurance company endeavours to conduct its business in the way which seems most suitable according to its own circumstances. We are in competition with one another and it is only natural that that should be the case. Of course, what every other company does has an effect upon what we can do.

Q. Can you give us an idea of the average rate for, let us say, \$1,000?—A. Are you speaking about an insurance policy or a deferred annuity policy, Mr. Pouliot?

Q. I am speaking of an annuity policy, let us say, 10 years, or 20 years.—A. Can I give you an example?

Q. Yes, any company, anyone?—A. An annuity policy under which an individual is going to pay in \$100 a year in premium; would that be a good example?

Q. Very.—A. In that case, the agent would be paid approximately \$25 as his commission in the first year, for selling the policy.

Q. \$25 out of \$100?—A. Yes.

By Mr. Browne:

Q. At what age?—A. Any age. Deferred annuity contracts with most of the companies are operated on a basis where they are not dependent on the age of the purchaser; they are entirely dependent on the amount of the premium.

By Mr. Pouliot:

Q. Would he have something else, afterwards?—A. Yes. He would be paid service commissions which would extend through to the tenth year.

Q. What would be the average commission over the 10 years?—A. In my own company the commission in the second year would be \$7.50; and in each of the years from the third to the tenth, it would be \$2.50.

Q. Some companies are more generous than that, and give more to the agent, as you know.—A. The commission arrangement will vary according to the circumstances of the company.

Q. The rate you mentioned is a minimum rate of commission, is it not?—A. We would not regard it as a minimum rate for the sale of a long term savings contract which did not involve insurance elements. In some respects it might be regarded as high, certainly, as compared with the commission paid on a group annuity contract. The rates I have quoted are very much higher than the commission rates on group accounts contracts.

Q. What would it be for a man of, let us say, 65 years of age?—A. You mean for a man aged 65 who is just starting?

Q. Suppose someone pays \$10,000 to a company for an annuity from age 50, or any age?—A. It is very seldom that we get a lump sum paid unless the annuity commences right at the time that it is paid. Suppose a man saves up his money and he comes to us and he wants to buy an annuity, let us say, for a single premium of \$10,000?

Q. Yes.—A. Under those circumstances?

Q. Would it be 10 per cent?—A. No, no. The commission we would pay in those circumstances is either 2½ per cent or 3 per cent. It is a very small commission on a lump sum.

By Mr. Bryce:

Q. Is that paid to the agent who actually makes the sale?—A. Yes.

Q. Does anybody in between get a commission besides the agent?—A. No. I think you will find it to be almost universal in the life insurance business in Canada that the agent is dealing directly with the company. It is not so in the case of the fire or casualty insurance business, where there is sometimes a general agency intervening.

Q. I mean, suppose there is an agent in Winnipeg dealing with a man in Winnipeg, he, the agent, would be dealing with a company in the east.—A. No. The agent in Winnipeg would deal with a salaried manager of the Company in Winnipeg.

By Mr. Côté:

Q. Perhaps you have already given an answer to the question I am about to ask you, but if you did so, I missed it. You gave us a figure of 237,000 as being the number of deferred contracts with the various companies which are in force at the present time.—A. Yes.

Q. Would that figure include your vested contracts and group contracts?—A. No. This includes deferred contracts, both individual annuities and group certificates, but it does not include vested contracts. The other figure I gave you was 35,000 as being the number of cases under which we now are paying annuities.

Q. Could you give us any figures, or some idea as to the trend of business of the companies in annuity contracts over some period of time, let us say, 10 years or 20 years. Could you give us some idea of the trend of business in that particular field?—A. Yes. The trend of the sale of individual annuities over the last 20 years has been down for most companies; but as to the sale of group annuities, it has been up. The principle reason, as far as individual annuities are concerned, is that the companies have had to increase their rates several times during the last 20 years because of the fact that interest was declining, and mortality was declining, so that the rates with respect to individual annuities were becoming more and more unattractive.

Q. Could you illustrate your point by giving us any figures?—A. I have not got the long term figures, but my impression is that back in the 30's, when the companies' individual annuity contracts were quite favourable, there was a very substantial sale of that business. Of course, other things affected the annuity business besides the state of the market. For example, the government during the war made annuities completely taxable. That had the effect of pushing down our sales. And in the immediate post-war years, when the tax relief was provided, by that time the companies' rates were so far above the government's rates that there was a tendency on the part of purchasers to take advantage of the government's rates rather than to buy from the companies.

Q. In your brief I take it that the basic principle on which you have based your study is that the government should not be in the annuity business, with the remote possibility, which you indicate, of minimizing the prospective burden of old age assistance benefits, as a remote possibility of justification.—A. Well, in that connection the government is still in a position where it is offering help in granting means test assistance to people of 65 to 69, if their incomes are less than \$60 a month. I think that is the allowable income within the rules; and obviously it might properly encourage people to save at least the \$3,600 which would provide \$60 a month for a five year period, and thereby reduce the further means test assistance under the proposed scheme.

Q. Up to the present time, would you agree with me in saying that the position offered by the government annuity has not been too damaging to the companies' business in that same field?—A. It has not been too damaging in the last few years, but we think it was damaging immediately prior to 1948.

Q. You say the period prior to 1948?—A. Principally that, because during the war years the whole of the individual annuity business suffered by reason of the tax laws.

Q. Yes. Now, one other point: about your premiums; what facilities do you give to your purchasers in the way of delay in payment of premiums, or in the way of exemption from the paying of any premium at all? In other words, are your customers rigidly tied to their payments of premium, as provided for by the contract?—A. By no means. We bill all of the premiums and we grant the statutory grace of 30 or 31 days in which to pay. We are in a position where, when a policyholder comes to us and says: "I cannot pay, and I will have to make some other arrangement with you" we will go a long distance to accommodate him and do everything we can to encourage him to keep on with his saving. We try to keep our temporary arrangement with the policyholder, in making payments to us, as flexible as we can and to avoid penalties under the policy in the case of non payment.

Q. And after he has exhausted those facilities which you provide, then in case of non-payment, what happens?—A. In the case of a deferred annuity, the savings contracts of which we are speaking, if he fails to pay a premium, we give him a small paid up annuity equal in value to the cash surrender value. He does not forfeit it at all. And we will also consider, if he makes an application to resume payments, restoring the contract to its full standing.

By Mr. Pouliot:

Q. I would like to know the proportion of insurance policies, life insurance policies, all life, that your association has in force in rural districts as compared with those in force in communities of 2,000 population and up. I do not ask you to give me a definite figure. I would be satisfied with something approximate.—A. I would not attempt to answer that question. But if the committee desires it, we would be very pleased to endeavour to secure some information as to how much life insurance is held in cities and how much is held in rural areas. It would require going to a number of individual companies and asking them for the information.

Q. I understand what you say. Now you have a considerable number of policies. I do not mean just you only, but the companies in your association. They have a considerable number of policies in force in rural areas, have they not?

The CHAIRMAN: Will you please speak up, Mr. Pouliot?

The WITNESS: A great many!

Mr. POULIOT: Yes.

By Mr. Pouliot:

Q. Now, how is it that when we ask for housing loans in rural districts it is impossible to get a cent from any one of your companies; you were lending money only in large cities. The names of your companies were given to us by the department, and it was really a farce; it was impossible to get one black cent from your company.

The CHAIRMAN: Mr. Pouliot, are you directing your question to the witness?

Mr. POULIOT: I asked why it was impossible to get one black cent in the rural districts from the insurance companies for housing loans.

Mr. LENNARD: What has that got to do with the presentation of this brief on annuities?

Mr. POULIOT: It is that with the reserves that the companies have from annuities as well as from insurance policies they can lend money, and it may have been lent to the people in St. Catharines, but there was nothing for us. I have not had an answer to my question.

The WITNESS: Well, Mr. Pouliot, I am not an expert on the lending policy, particularly in the rural areas, but I think I can tell you this; that the great difficulty is the companies do not want to loan money in the rural areas because the cost of making the loans would be so high that the borrower would have to pay extortionate rates, rates that would have to be almost usurious. We cannot find any way of loaning money and looking after it in the rural areas without charging very high rates of interest.

Mr. POULIOT: Have you tried it out to prove that by experience? You know the old saying, "the road to hell is paved with good intentions"; is that the case with respect to your loan policy in rural areas?

By Mr. Gillies:

Q. I would like to ask a brief question. Don't you think that the individual annuities are being affected by group insurance, by advances in social security

and by widespread use of credit unions which are a medium of savings?—A. An increasingly large part of savings are going through institutions, and very frequently on an organized group basis.

The CHAIRMAN: Now, gentlemen, we also have here this morning representatives from the Life Underwriters Association of Canada.

Thank you very much, Mr. Anderson, for the very efficient way in which you have answered the questions.

Now gentlemen, our time is running out. We still have a few minutes and I think we should devote the remaining time to hearing representations on behalf of the Life Underwriters Association who are represented here, I understand, by Mr. Leslie W. Dunstall who I will ask to introduce the delegation from the Life Underwriters Association of Canada. Mr. Dunstall.

Leslie W. Dunstall, General Manager, Life Underwriters Association of Canada, Toronto, called:

The WITNESS: Mr. Chairman and honourable members, the representatives we have here today from the Life Underwriters Association are Mr. Ralph Foster, the Canada Life Assurance Company, Toronto and Ottawa; Mr. J. D. Mingay, C.L.U., Prudential Association Company of London, England, Toronto; Mr. Robert E. Dimma, C.L.U., Mutual Life of Canada, Peterboro; and Mr. Raoul L'Heureux, Northern Life Assurance Company, from Warwick, Quebec. I am going to ask Mr. Ralph Foster to present our submission.

The CHAIRMAN: Thank you, Mr. Dunstall. Mr. Foster, will you take the stand, please?

Mr. Ralph Foster, Canada Life Assurance Company, Toronto and Ottawa, called:

The CHAIRMAN: I think we will have time to dispose of this submission this morning. I doubt if there will be an opportunity for you to come back later, in view of the recommendations of the steering committee.

Mr. KNOWLES: Are there not enough of us here that we can continue to sit?

The CHAIRMAN: Well, gentlemen, it was agreed that we would adjourn at 11 o'clock—if someone cares to put a motion.

Mr. BROWN: I would move that we continue our sitting.

Mr. KNOWLES: The only alternative would be to adjourn the examination of this witness until Monday morning. While we might be able to start I doubt if we could finish it.

The CHAIRMAN: Gentlemen, the only difficulty there is that the representatives of the Life Underwriters Association would have to come back here again on Monday and the steering committee have already made a commitment to hear someone else, to have them appear here on Monday.

Mr. KNOWLES: Why cannot we go right ahead? I am sure you can see a quorum.

The CHAIRMAN: If you care to make a motion we will sit after 11.

Mr. KNOWLES: I will move that we sit until 11.30.

The CHAIRMAN: Is that agreeable to the committee?

Agreed.

The WITNESS: Mr. Chairman, honourable members and gentlemen. We are here today on behalf of the individuals known as the Life Insurance Agents. We have, we think, a representative group, in the persons of Mr. J. D. Mingay,

who is a chartered life underwriter; Mr. Robert E. Dimma, also a chartered life underwriter; Mr. Raoul L'Heureux, Mr. Leslie W. Dunstall, and myself (Mr. Ralph Foster).

I understand that you have had an opportunity of reading the brief submitted on behalf of our group.

Mr. KNOWLES: Could that be put on the record at this point, Mr. Chairman? The witness is not going to read the brief.

The WITNESS: No, I have not the time in which to read it through.

The CHAIRMAN: We will have it put on the record and proceed with discussion.

THE LIFE UNDERWRITERS ASSOCIATION OF CANADA
159 BAY STREET, TORONTO, ONTARIO

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Nova Scotia—A. R. Fraser, C.L.U., Maritime Life Assurance Company, Halifax.

Prince Edward Island—R. E. Younker, Canada Life Assurance Company, Charlottetown.

To the Chairman and Members of the Standing Committee of the House of Commons on Industrial Relations, from the Life Underwriters Association of Canada, concerning Bill 23 (An Act to amend the Government Annuities Act).

Gentlemen: The Life Underwriters Association of Canada is the only Association of Life insurance salesmen in Canada. It was organized in 1906 and incorporated in 1924. The Association has over 6,500 members from coast to coast and regards itself as spokesman for the more than 10,000 full time life underwriters in Canada.

The Board of Directors of the Association feels that its responsibility both to the members of the Association and to the public make it imperative for us to present to your committee our viewpoint on Bill No. 23 (An Act to amend the Government Annuities Act). Our considered opinion is that proper consideration has not been given to the full implications of the various provisions of Bill No. 23 and that if enacted, it would be extremely detrimental both to the taxpaying public and to the 10,000 underwriters we represent.

The Bill provides for (1) an increase in the maximum annual annuity from \$1,200 to \$2,400 and (11) cash values in annuity contracts, without in any way making provision for an increase in premiums to offset the increased cost which the inclusion of cash values would inevitably involve. These are the two provisions of the bill which give the Board of Directors of this Association very real concern.

Each of the more than 10,000 life underwriters we represent is daily engaged in contacting various individuals with a view to assisting them in underwriting their plans for financial security by the sale to them of annuity contracts and various other plans of life insurance, many of which involve the principle of annuity income.

The sale of annuities by the government on a subsidized basis has always constituted unfair competition to the life underwriter. If the proposed amendments are adopted the resultant competition will be such as to threaten the livelihood of the whole body of life underwriters.

The original intent of the Annuities Act was to encourage people of moderate means to make provision for their old age. It was realized at that time that if these annuity contracts carried cash values the purpose of the Act would be defeated. It was this fact which many doubtless regard as justifying the subsidization by the taxpayer of these contracts.

For some forty-three years these contracts have not carried cash values and, while the existence of government annuities has been detrimental to the life underwriter, the fact that government annuity contracts have not carried cash values has enabled underwriters to continue selling annuities and to promote the annuity idea among the people of Canada. The proposal that these contracts carry cash values, will not only serve to defeat the intention of the original Act, but will also automatically remove what many consider as the only justification for a subsidy.

We contend that if these contracts are to include cash surrender values then the premium rates charged should be sufficient both to cover the cost of administration and to maintain the solvency of the annuity fund. Only by so doing can the government avoid the criticism that it is operating in this field in direct competition with private enterprise on a very unfair basis.

The subsidies involved have assumed very great proportions. During the fiscal year ending March 31, 1951, administrative costs had reached the very substantial figure of \$752,356.12. In addition to administrative costs, substantial amounts have been contributed by the taxpayer in order to help keep the annuity fund on a sound basis. During the year ending March 31, 1951, taxpayers contributed \$659,786.67 toward the maintenance of annuity fund reserves. In the year ending March 31, 1950, \$1,255,711.76. In the year 1948-49 this subsidy exceeded ten million dollars.

As has already been stated, the purpose of the original Act was to encourage people of moderate means to provide for their old age by means of a government annuity contract offered at less than cost. However, it is our opinion that the Act very largely failed in its purpose since it is not the persons of moderate means who have taken advantage of government annuities, but largely the more well-to-do citizens, the majority of whom could well afford to buy annuity contracts at adequate premium rates.

Since the primary purpose in offering these annuities in 1908 is now being fulfilled by the provision of universal benefits under the Old Age Security Act, it would seem consistent and logical for the government to withdraw completely from the annuity field at this time and leave the provision of supplementary income to private enterprise.

At one time the maximum annuity procurable through the government was \$5,000 a year. For many years such annuities were free from income taxation. It then became apparent that, in the main, the only persons who were taking advantage of this "bargain" were people of more than average means who were purchasing substantial annuities, the cost of which was being partially borne by the general taxpayer. Realizing this development, parliament very wisely reduced the maximum amount of annuities procurable to \$1,200 and later made the interest portion of such annuities liable for income taxation.

Today when the government is proposing to raise annually several hundreds of millions of dollars through taxation in order to provide old age benefits for all citizens on reaching age 70, and to make a partial contribution to benefits for those in need at age 65, it certainly seems inconsistent that the government should be broadening the scope of government sponsored annuities.

Under the existing Act a married couple of sufficient means can purchase government annuities which in the aggregate would provide them with \$200 a month. Under the Old Age Security Act they will together receive on attaining age 70 an additional \$80 a month. These amounts total \$280 a month or \$3,360 a year, all subsidized. Under the proposed amendment it would be possible for a man and his wife, if they had the means, to provide for themselves at age 70 a total of \$480 a month or \$5,760 a year, all subsidized by the general taxpayer.

If the maximum government annuity purchasable is increased, it is inconceivable that there will not be a further substantial increase in the costs of administration, and, if the government liberalizes the terms of these contracts to include cash surrender values, there will be a further substantial increase in administration costs.

During recent years many employer-employee group pension plans, based on government annuities, have been instituted. In the majority of cases any savings to the purchaser effected through the use of government annuities has been largely to the benefit of the employer. In future, pension benefits designed

to supplement the provisions of the Old Age Security Act and assure adequate retirement income for long service employees will be provided largely by employer funds. We contend that it never was and never should be contemplated by parliament that this group should be subsidized at the expense of the general taxpayer.

If we agree that the well-to-do purchaser of government annuities and the corporate purchaser are not entitled to a government subsidy, and if we assume that the general taxpayer has discharged his obligation to the relatively low-paid employee by the enactment of the Old Age Security Act there remains the higher salaried employees and the self-employed. Here again we contend that it is not the function of government to provide preferential treatment for such persons by making it possible for them to buy government annuity contracts at less than cost, and, we repeat, to the detriment of the life underwriters who must perforce not only pay taxes to subsidize government annuities, but must at the same time compete with the government in their chosen field.

If the government liberalizes annuity contracts in the way proposed by offering cash surrender values in its contracts, it means that life underwriters will no longer be able to present their contracts in competition, but will be practically forced to abandon the annuity field entirely. Not only so, but there is a great danger that sensing a "bargain" in annuities offered by the government, many members of the public will be tempted to divert all the funds they have available for savings to government annuities at the expense of making proper provision for their dependents and their own old age through the purchase of life insurance contracts. Such a development would not only be very definitely contrary to the public interest but would also bring disastrous results to the whole body of life underwriters.

In the past a large percentage of government annuity sales have indirectly resulted from the introduction of the "annuity" idea by life insurance salesmen. Should the adoption of the proposed amendments to the Annuities Act result in restricting the activities of life underwriters, it would not only have an adverse effect on the future sales of government annuities but also on the sale of life insurance contracts containing an investment element. The result could only be to increase the inflationary pressures which have so far, at least, been partially kept in check by the diversion of funds to these and other mediums of savings.

If the amendments proposed were clearly in the public interest the effect which they will surely have on the livelihood of the life underwriters would be immaterial, but when the amendments must inevitably result in an increase in the subsidy paid by the taxpayers and a substantial decrease in the long term savings of the Canadian people, then we feel that we can quite properly point out that the proposed amendments will also place in jeopardy the livelihood of some 10,000 or more life underwriters throughout the country.

For the various reasons set out in this submission it is our considered opinion that the government should withdraw Bill No. 23.

We also feel that the government should properly withdraw from the annuity field at this time leaving it to those organizations specializing in this field, which have developed under our private enterprise system—organizations which so richly deserve the confidence which the public reposes in them.

We further feel that if the government does elect to remain in this field there no longer remains any possible justification for marketing annuity contracts at less than cost. If, however, the government should feel that it must continue to absorb the cost of administration and market annuity contracts at less than cost, in the hope that people of modest means will take advantage of the opportunity so provided, then the maximum annuity purchaseable should be kept to a very low amount and no purchaser of such a contract should be permitted to withdraw his savings before maturity of the contract.

It has been a basic feature of the Annuities Act since it was enacted forty-three years ago that no purchaser of one of these contracts should be permitted to surrender his contract for a cash value at any time. It is the absence of a cash surrender privilege which largely distinguishes a government annuity contract from the contracts offered by the life insurance companies. The life underwriters feel very strongly that, unless adequate provision is made in the price of government annuity contracts to cover all elements of cost the cash value privilege must not be included in such contracts.

Life underwriters are the principal advocates and merchandisers of thrift to the Canadian people. If cash values were included in government annuity contracts they could no longer continue to fill this role and successfully sell annuities and life insurance policies containing long term savings features.

To summarize:

(1) The 10,000 life underwriters on whose behalf we speak depend for their livelihood on the sale of annuity and life insurance contracts. The sale by the government of subsidized annuity contracts is unfair competition.

(2) The original intent of the Annuities Act was to offer annuity contracts at less than cost in the hope that it would encourage and assist people of moderate means to provide for their old age. The bulk of annuities have, however, been purchased by well-to-do individuals or corporate buyers of pension plans. Parliament has on at least one occasion in the past reduced the maximum amount of government annuity procurable. It is our opinion that there are today particularly valid reasons why the amount of annuity procurable should be still further reduced.

(3) The inclusion of cash values in these contracts will defeat the original intent of the Annuities Act by making it possible for purchasers to withdraw their savings in cash at any time.

(4) The original estimate of the cost of administration to be borne by the taxpayers was \$50,000 annually. These costs have already reached the substantial amount of over three quarters of a million dollars annually. In addition to administration costs the taxpayers have contributed many millions of dollars to help to maintain annuity fund reserves.

(5) The provisions of the Old Age Security Act will provide a basic income in old age for people of moderate means which was the purpose for which the Annuities Act was originally enacted.

(6) The people who in the future as in the past, will stand to benefit from subsidized government annuities will be those of substantially more than moderate means. We therefore submit that there no longer remains any justification for the marketing of government annuities at less than cost. If the government feels it cannot discontinue the sale of annuities on this basis then the maximum amount purchaseable should be very low and no cash withdrawal privilege should be permitted.

(7) In the field of industrial pensions the principal beneficiary of the subsidy involved in government annuities is the corporation or other employer.

(8) It was not intended that the Annuities Act should undermine the livelihood of any segment of the public. If Bill No. 23 is enacted without change the government will be operating a virtual monopoly in the annuity field. The effect on the livelihood of the life underwriters could be disastrous.

(9) For the reasons submitted we contend that Bill No. 23 should be withdrawn.

Respectfully submitted,
THE LIFE UNDERWRITERS ASSOCIATION
OF CANADA,

L. W. DUNSTALL,
General Manager.

Toronto, Ontario,
29th November, 1951.

The membership of the
LIFE UNDERWRITERS ASSOCIATION OF CANADA
consists of
the members of the Life Underwriters Associations of—

Brantford	Montreal	Sault Ste. Marie
Calgary	Moose Jaw	Shawinigan Falls
Cape Breton	Newfoundland	Sherbrooke
Charlottetown	New Westminster	Simcoe-Muskoka
Chicoutimi	Niagara Falls	South Okanagan
Cornwall	North Bay	St. Catharines
Cumberland County	North Okanagan	St. Hyacinthe
Drummond-Arthabaska	Northern Alberta	St. Lawrence-Rideau
Flin Flon	Northwestern Quebec	Sudbury
Fredericton	Northern Saskatchewan	Temiskaming
Guelph	Oshawa	Thetford Mines
Halifax	Ottawa	Thunder Bay
Hamilton	Owen Sound	Toronto
Joliette	Oxford	Trail
Kent	Perth-Huron	Trois-Rivieres
Kingston	Peterborough	Valleyfield
Kitchener-Waterloo	Pictou County	Vancouver
Lambton County	Porcupine	Victoria
Lethbridge	Quebec	Welland-Port Colborne
London	Quinte	Western Manitoba
Lower St. Lawrence	Regina	Windsor
Northern New Brunswick	Saint John	Winnipeg
Moncton	Saugeen	

The WITNESS: Gentlemen, it is our contention that when parliament originally entered the annuity field there seemed to be several objectives in their minds at that time. As we understand it, the original intention of parliament was to provide subsidized annuities for the lower income groups. Secondly, the amounts of the subsidies were to be quite nominal. These amounts were designed to provide life income rather than to cope with life's so-called perils. The amount of the annuity was to be nominal, and more than that, from our point of view their sale was not intended to be detrimental to the livelihood of a large section of the public, the life underwriter. I do not think there was ever any intention of entering into a form of unfair competition with the life underwriters, any more than the government has no intention of entering into unfair competition with the flour and feed merchant or the automobile manufacturer or any other form of private enterprise. We contend that if there ever was a group of private enterprisers our 10,000 life underwriters certainly are representative of that group. The life underwriter spends a great deal of time on our work in the evenings; it is not exactly a 24 hour a day job but it is strictly a job which requires a tremendous amount of stamina and fortitude and all the rest of it. I would not be prepared to argue that the life underwriter is the most important, but he certainly is one of the most consistent exponents of private enterprise.

It would appear to us that the problem before this group would be to determine first, whether the government has got beyond what was originally intended; and to what extent, perhaps, this bill goes beyond the original intent of parliament, subsequently established during the period that government annuities have been in force. I would like to spend just a moment or two

dealing very briefly with various points which were indicated as the original intent of parliament. As we have said, one of the original intents was to provide income in old age for those in the lower income groups. It certainly has never worked out that way as was originally intended. It was not the intent that the government-sponsored annuity should be purchased by wealthy individuals, as Mr. Anderson has so very clearly demonstrated.

Mr. POULIOT: Mr. Anderson represented the companies and you represent the agents, is that right?

The WITNESS: That is correct, sir. And so it was the low income group, as we see it, that the original Annuities Act was intended to benefit, but failed to do. A group, which in our opinion is a very large purchaser of government annuities, is the corporate purchaser, who purchases an employee pension plan, where the employer is buying for and on behalf of his employees. The amount of the subsidy was to be quite nominal. I believe the original idea was something like \$50,000 a year; but, as the figures which have been quoted amply demonstrate, this is now running into millions of dollars a year. These annuities were meant to provide a life income rather than the so called "frills" such as cash values to which reference has been made. As has already been stated, the purpose of the original Act was to encourage people of moderate means to provide for their old age by means of a government annuity contract offered at less than cost. In our opinion, experience over the past years has indicated clearly that cash values are one thing particularly which could not be incorporated in a government annuity contract sold on a subsidized basis except, or unless, it is the intention of the government to increase the price of these annuities sufficiently to take care of the extra cost involved.

The amount of the annuity was to be nominal. The present maximum is \$100 per month per individual, and it is now proposed to raise that to \$200 a month. At the present time a married couple can secure, together, government annuities to the extent of \$200 a month and under the Old Age Security Act they will together receive, on attaining age 70, an additional \$80 a month. These amounts total \$280 a month or \$3,360 a year, all subsidized. Under the proposed amendment it would be possible for a man and his wife, if they had the means, to provide for themselves at age 70 a total of \$480 a month, or \$5,760 a year, all subsidized by the general taxpayer.

Now, I do not know whether or not you appreciate that the effect of that would be to increase the volume of annuity sales. What is the effect going to be on the sale of these annuities? And, what is the effect going to be on the insurance underwriter if this particular bill goes through and is handled in the manner in which we anticipate it will be handled? It is not inconceivable that the effect of that is going to mean a further substantial increase in the cost of administration. Whether or not such costs will exceed the government expectations I cannot say, and I do not know how it will turn out, but apparently the anticipation is for additional sales. We contend, that the sale of annuities is not a function of the government. That is the opinion of the Life Underwriters Association. One of the points brought out in our brief is that in our opinion many of the sales of government annuities are not the result of sales effort on the part of the government but that the underwriters have been primarily responsible for the sale of a very large volume of government annuities. Where one of our members, for instance, introduces the annuity idea to a prospective buyer, acting in all fairness to the prospective buyer he has recommended, where the circumstances have warranted it, that the individual purchase a government annuity. In doing this we feel that we are performing a function, that we are doing a job; we are trying to assist a man to buy a security program for himself and his family. Certainly, if a low-cost government subsidized annuity seems to be called for, we will recommend it. That

has often been the case with employer pension plans. It is a very common practice for the insurance underwriter to recommend that the employer arrange to have the first hundred dollars of monthly pension taken out with the government; and if there is any additional pension to be paid, then it is arranged through an insurance company or through a trust, either by using a trust company or by setting up a self-administered trust.

If the volume of government annuities increases materially, as we think it will, and if the provisions of this bill be accepted, then you are going to find that there will be even a greater loss of corporate buyers to the insurance underwriters. If you establish a \$200 a month maximum it means that there is only going to be possibly 2 or 3 per cent of any employee group who would be in a position to buy in excess of \$200. That will practically remove the whole of the corporate companies' field from the insurance underwriter. That will concern us, naturally.

But I do not think we have given enough concern to the fact that government annuities with cash values would become the basis for security programs to a larger extent than I think you gentlemen anticipate. Wherever there is a substantial investment feature involved it would become either the obligation of the underwriter to recommend a government annuity or, assuming that the prospect can read and write, he is going to be able to read a government advertisement for annuities and he will write in and get it himself.

There will have to be approximately \$1,300 or \$1,400 of a fund created for every \$10.00 of monthly annuity. It is obvious that you are going to skim off the cream of the life underwriters' business by almost making it mandatory for the underwriter to recommend a government annuity contract as the basis for almost every security program.

By Mr. Knowles:

Q. In what sense do you make use of the word "security"?—A. I am thinking of the chap who is concerned about his family in the event of his death, or is concerned about his own security if he should live beyond normal working years, whether he be an employee of a company, or a doctor who is concerned about burning himself out at the age of 55 or 60. I suppose even lawyers burn themselves out; but doctors, lawyers, engineers, and professional men have provided a very important segment of the life underwriters' market. This bill would have the effect, in our opinion, of simply taking from the underwriter that important market. It would also remove the corporate buyers without providing an additional balance of professions. It would remove this major well-to-do market, and you are not going to leave the underwriter much to work on.

This, we certainly contend, was never the intention of parliament and I think it is something which was never really anticipated in designing this particular piece of legislation. Our argument, or our suggestion would be either that the government get out of the annuity business or the least it could do would be to put its rates on a basis which would be competitive and not enter into unfair competition with the career underwriter. Basically that is the idea we have tried to get across in our presentation and we certainly welcome any questions which have to do with our presentation or with the field of underwriting, which my colleagues or I can answer.

By Mr. Côté:

Q. Your first reasons for objecting to the amendments which are proposed to the Government Annuities Act appear on page 7 of your brief where you say that the life underwriters depend for their livelihood on the sale of

annuity and life insurance contracts. I can see that it might be very hard for you to give an approximate proportion of the revenues derived by life underwriters through the sale of annuity contracts as compared with the sale of life insurance contracts, but can you enlighten us a little on that subject? I am aware, however, that you carry such plans as the endowment plan with your life policies.—A. I think you have to realize that the life underwriter has at his command a number of tools, so to speak, in the form of a variety of contracts which he can use for specific purposes, just as a carpenter uses his set of tools. He might run into a particular situation where he would recommend a particular contract.

An underwriter may be a specialist in the handling of a certain type of contract. For example, the business insurance specialist does a great deal of work with "term" insurance, while the pension consultant, of course, deals largely with annuity contracts. The chap who is dealing with doctors, lawyers, and professional men works very frequently with contracts maturing at the age of 65 or thereabouts. They include not only annuity features but life insurance features as well. I think you would have to take the underwriter concerned and question him as to what his personal percentage in his field represents.

Q. I can see that, and when I asked my question that is why I prefaced it the way I did; but referring to the figures that we already have, and to which the previous witness referred, did he not say that in the past 3 years the private companies' business in the field of annuities has been more or less brought to a stand-still position?—A. If I may make an observation there, Mr. Chairman, I would say that in my opinion the great amount of the annuity business sold during the war years was fundamentally based on income tax savings through excess profits, and so on; but right after the war that business fell off, as without the same tax advantage available, it would be a much more difficult type of contract to sell.

Q. Another question is this: am I right in assuming that as far as group contracts are concerned, you concentrate your efforts on large firms?—A. You mean group life contracts?

Q. Yes, group annuity contracts.—A. Oh, some underwriters will take as few as 5, 3 or even 2 employees in a group annuity contract.

Q. But is that not an exception?—A. No. Certain companies will do it; certain companies will handle it.

Mr. MINGAY: Perhaps I could answer the question in this way. I have been in this business for some years and in my own case I concentrate more on group contracts and on cases involving under 50 lives. I am not so much interested in writing the big cases for many reasons. I find the smaller cases much more interesting and I think I am performing a much better service working in that field than in the field of bigger cases.

Mr. CÔTÉ: Like members of parliament, you have a very great interest in the small man.

Mr. MINGAY: That is right.

Mr. VIAU: What is your minimum?

Mr. MINGAY: Our minimum is 3 lives, but we have waived that and sold a plan which involved only 2 lives.

Mr. CÔTÉ: With any such small group, would you not recommend an individual contract rather than a group contract?

Mr. MINGAY: In our own case we write a plan which is about half way between a group and an individual contract, so that if a man leaves his employment he can take the contract with him, which is something he cannot do under a group contract. But the rate is based on the group rate.

By Mr. Knowles:

Q. Now, Mr. Foster, you have had something to say about the amount of subsidy which was involved in government annuities when the plan was first started in 1908 as compared with the amount today. And I believe you quoted figures for comparative purposes of \$50,000 as compared with \$1 million. Does that prove anything more than that savings have expanded across the years? Does it not look as if the principle of the subsidy was accepted and rather significantly so as far back as 1908?—A. It may have been accepted as to a small amount, but when that amount climbs into the millions, it is time for somebody to wonder if this is a business in which the government should be engaged, or rather is it not something they should get out of.

Q. It has gone into pretty big sums in some other fields as well. I do not wish to follow Mr. Pouliot and get into the question of housing as such; but it is true that the government does a certain amount of backing of insurance companies and lending institutions with regard to housing loans, yet you do not object to that.—A. I am not here particularly to object to how the government operates, but I am definitely concerned about life insurance underwriters. We are very much concerned.

Q. I think you have made your case much stronger putting it on the basis of your own self interests as you have done rather than attacking a principle.—A. We like to think we have principles and we like to think that the government has principles. We like to think that the government's original principle was a small subsidy. We simply throw that to you as a suggestion. Maybe it is something which the government should think about.

Q. I note that in your brief, and you have repeated it this morning as well, that you suggest a total amount of income per year for a man and wife over 70—if they can afford to buy it—I think you gave us a figure of \$2,400 each as an annuity which they might purchase, plus \$40 each of old age security received after the age of 70; and you added them together to make a sum of \$5,760 a year. Now, do you think it is correct to regard that as being subsidized by the general taxpayer?—A. I cannot see that there is any other alternative. It is all subsidized.

Q. But the extent to which the respective portions of that sum are paid for and the extent to which there is a subsidy element in it varies considerably, does it not?—A. That is correct.

Q. And there would be some extremely wealthy people who would be paying in taxes for the whole of it, would there not?—A. Well, of course, parliament has never seen fit to allocate an individual's whole tax payment to be specifically enjoyed on his behalf, so I think he would simply have to think that his income tax was taken for the general fund, as it were.

Mr. LENNARD: It all goes into the consolidated revenue fund. All taxes go into that fund. For instance, the tobacco tax; you do not have to be wealthy in order to subsidize this insurance scheme.

By Mr. Côté:

Q. I wonder, Mr. Foster, if you could give us an indication of the geographical distribution of your membership across the country, it is pretty evenly distributed across Canada?—A. Mr. Dunstall, our general manager, would be in a better position to answer that question than I am.

Mr. DUNSTALL: Our membership across Canada is spread pretty evenly all the way from Victoria to St. John's, Newfoundland. On the back of our brief we give you a list of the Life Underwriters Associations, locals of the parent organization, the places where we have local organizations. Our membership represents a very substantial portion of the total number engaged in the life insurance field.

Mr. CÔTÉ: Yes, I see that.

Mr. DUNSTALL: That is where we have local organizations..

Mr. CÔTÉ: Yes, but as to the representation of life underwriters by Provinces, would you give us the approximate proportions?

Mr. DUNSTALL: I am sorry I could not give you an exact breakdown on that. I can tell you generally that we have about 2,000 in Ontario and between 1,500 and 1,800 in the province of Quebec, and in the other provinces I think it would be fairly evenly distributed in relation to population.

Mr. CÔTÉ: And, may I also ask you this; are they all full time workers?

Mr. DUNSTALL: A very large majority of them are, sir. There are quite a number of them who are also engaged in the general insurance business. Very, very few of our membership would have any other occupation outside of that of a life underwriter.

Mr. CÔTÉ: It would be interesting to have a return showing the number and location of your membership, and also showing what the average income of the individual life underwriter would be.

Mr. LENNARD: Possibly that information could be prepared and put on the record later on. Would it be of the order of \$8,000-\$10,000 a year?

Mr. DUNSTALL: It would be substantially lower than that. It would be lower than \$4,000 a year, when you take off the cost of doing business.

Mr. CÔTÉ: And then, do I understand you to say, with reference to my other question, that you are dependent to a large extent, or to a certain extent on the sale of annuity contracts for your livelihood?

Mr. DUNSTALL: Practically all life insurance policies sold have an annuity element in their settlement option provisions and I would say that an earnings figure of \$3,500 a year would be a fairly good average; including, of course, new men and men who have been well established in the business for a number of years.

Mr. CÔTÉ: It would also depend on the ability of the salesman, I would imagine?

Mr. DUNSTALL: Oh, yes, definitely; there is a big spread between the earnings of individual men, depending on their ability.

By Mr. Bryce:

Q. You do not want this competition from the government; is that your main point?

The WITNESS: We do not want unfair competition.

Q. You want to run your own business without government competition?—A. We don't want unfair competition, and we feel that the subsidized contract is an unfair form of competition. We feel that it is up to the government to put its rates up to what we think is a reasonable basis.

Q. In other words, you want the government to agree to your rates?—A. We don't want that, sir; we want the government to put its rates on a proper basis instead of dumping \$2 million to \$10 million every few years to assist in meeting the payments; rather, incorporate that as a part of your premium costs. That is all.

Mr. CÔTÉ: May I follow up my question of a moment ago with this last one. In view of the fact that the insurance companies have sold an average of 10,000 annuity contracts in the past 5 years, that would represent an average sale of annuity contracts for all the life underwriters of one each in each of these 5 years.

Mr. WYLIE: The figure was 20,000, Mr. Côté; and that brings up another point which is that there is far more involved in this, as far as the public are concerned and as far as the average life underwriter is concerned than the question of how many individual annuities are sold.

Mr. CÔTÉ: Yes, I know you have these other plans.

Mr. MINGAY: That is exactly the point. Up to this point, we have been dealing only with the question of a man's providing for his old age. We have 10,000 life underwriters who on the average are talking to 5 citizens a day, and that is 50,000 people every day clear across this country that the average insurance man is talking to. You can figure this thing out for yourself; that is a quarter of a million people a week, even if he only works a five day week. The average man is more concerned today, the average married man, with his family; the average man is more concerned today with what is going to happen to his family if he does not live to be 65 years of age; and any actuary will agree that his chances are 35 out of 100 of not living to be 65 years of age. And now, the job we have got to do is to help set up for that man a combination plan that will take care of his family if he does not live to age 65. His primary consideration is protection for his family, and that is a job the life insurance company representatives are trying to put across all over the country. The second consideration is tied in with that, I refer to the Old Age Pension Act and government annuities, if you like; and the whole objective is to see that he makes provision for his own old age. What we are concerned about more than anything else is that if you make the dominion government annuity a bargain, a bargain which anybody who can add, subtract, multiply or divide can see for himself, what is going to happen in this country is that with the average individual—it is just an excuse for him to say to the life insurance agent, I am not going to buy life insurance, a government annuity is a better buy. Really, what he is interested in, and what the life underwriter is interested in selling him, is a combination plan which provides both for his old age and also for his family if he does not live to age 65—and, there are 35 chances out of 100 that he is not going to live that long; and the result may be that if the average citizen goes in completely for annuities the government is going to find itself faced with a problem on their hands of having to support the dependents of these people. Mr. Gillis raised one point, that the average worker does not buy these plans. Well, Mr. Gillis, I would like to tell you that I have sold a combination plan to a bus company in the city of Hamilton. As far as I am concerned a bus driver is an average worker.

Mr. GILLIS: Yes, that is group insurance.

Mr. MINGAY: Yes. Do you know what happened in that bus company? Every man in that company is contributing to the group insurance plan and, over and above that, 65 per cent of those employees are buying long term and endowment contracts to supplement their pensions. But what is more important, most of them have what we call the family income benefit, which will provide for their families until each child is self-supporting, in case they do not live to reach 65 years of age.

Mr. GILLIS: You have just confirmed exactly what I said. I asked Mr. Anderson was it true that the annuity contract as such—or plans comparable to the government plan—was not being replaced by life insurance, credit unions and advances in social security, which today are considered so necessary by most large firms?

Mr. MINGAY: Those are individual contracts with respect to which he makes his own decisions as to how much he wants to buy and how much he feels he can save and how much protection he wants to give his wife and family in that form of insurance.

Mr. GILLIS: And he would get that form of protection from the individual insurance company? That is different from the straight individual annuity contract.

Mr. MINGAY: Yes, depending on the amount he can save and the protection he feels he would like to have and what he can afford by way of assured income at age 65; or, alternatively, possibly to arrange for his own retirement before age 65; because in every one of these policies there is a clause which we call a disability clause which provides, in the event of retirement on account of disability, and he is unable to pay the premium the policy itself will carry the premium for the balance of the premium paying period.

Mr. GILLIS: I am not arguing with you but it does come right back to the individual annuity contract, whether I sign it myself to buy security for my old age; that all comes along with this thing you are talking about now?

Mr. MINGAY: You see, what concerns us is that if a man is going to buy the maximum you are suggesting, \$200 a month for himself and \$200 a month for his wife, that if he commences at age 35 he has got to put up about \$1,200 a year. And now, we are just fooling ourselves if we think that an average man can pay \$1,200 a year. How can he do it? How can the average man, including myself, or say a merchant in business who is making anywhere from \$10,000 to \$15,000 or \$20,000 a year, if you like; how can he find \$1,200 a year today to put into government annuities or life insurance contracts, or anything else?

Mr. GILLIS: Well, that is not necessarily an argument against it.

Mr. MINGAY: But, the average man today has not got any more money to put into government annuities than he had back in 1936.

Mr. BROWN: As a matter of fact, he has less today.

Mr. MINGAY: Yes, he has less, and he cannot afford to pay out \$100 a month for insurance benefits for himself and family.

Mr. KNOWLES: In other words, you take the same position that Mr. Anderson took; you agree that there is some need for the government annuity plan, but you just do not like the extent to which the subsidy enters into that plan. Is that it?

Mr. MINGAY: We agree that the present dominion annuity plan is an excellent plan, but when you put yourself in business, where you are going into competition with life insurance companies, I do not know why you do not also go into competition, as Mr. Foster suggested, with your local meat merchant and your local grocer.

Mr. KNOWLES: Do you feel that that is the effect of government annuities on the situation?

Mr. MINGAY: No, but if this passes it will be. What is going to happen with respect to the average life underwriter is this; I am speaking for myself, for instance, I just will not be able to do business, people are not going to buy from me when they can buy cheaper government annuities. Before the rates went up in 1948 I sold thousands of dollars worth of government annuities. It was a bargain, I went out and bought one myself and bought one for my wife. It was a bargain.

Mr. CÔTÉ: You will be able to buy some more of them if this goes through.

Mr. MINGAY: I paid \$25. That is all I could afford to at that time, and all I can afford to carry, unless you introduce some more legislation to make the thing more attractive.

Mr. KNOWLES: Don't suggest that we do that.

The CHAIRMAN: Thank you, Mr. Mingay.

By Mr. Knowles:

Q. May I ask you this? We have heard the evidence of Mr. Anderson to the effect that probably 20 per cent of insurance business was in the form of annuities and that 80 per cent represented other forms of insurance. I suggest that that is a little out, but that figure will do for a rough division. We also have some figures that Mr. Pouliot got from Mr. Anderson as to the earnings of agents selling annuities. I am not going to ask you for precise figures but I wonder if you could indicate roughly what their average earning would be?

Mr. MINGAY: May I answer that by saying that it would be \$3,835.

Mr. KNOWLES: What is that?

Mr. MINGAY: That is the average earnings of life insurance agents in Canada.

By Mr. Knowles:

Q. In other words, that is substantially the answer which Mr. Dunstall gave; but I was referring to the same thing which prompted Mr. Pouliot's question as to the earnings of life insurance agents. In other words, I would like to ask in which of these fields, the annuity field or the general life insurance field, does the agent make the most money.—A. I think, as I mentioned, gentlemen, the situation is essentially this, that the agent has what you might call a set of carpenter's tools, he has a wide range of contracts—he has the 10-year endowment or the 20-year life, the ordinary life, term insurance; he simply tries to pick out which of these particular contracts his client should have. He is more concerned about serving his client than he is about his commission on the premium involved. It is a case of service rather than earnings with him.

Q. The answer is then that you try to sell to meet the needs of the purchaser; incidentally, out of which of those lines does he make the most money?—A. I do not know that I could answer that correctly because it depends on so many different things. There is the business man, for instance, who takes out \$5,000 term insurance—it really depends on what the purchaser wants—he may take out \$10,000 10-year endowment. Now, you figure it out. I don't know.

Q. Possibly I should ask another question then. Mr. Côté brought out the figure of 10,000 annuity contracts being sold by the government per year within the last three years and that would make it 30,000—20,000 or 30,000, whatever the figure is—and if it were 30,000, that would make it an average of 10,000 per year. I am still wondering about the average business done by an agent. I wonder if you could tell me what the average number of contracts sold per year by the average agent would be?

Mr. MINGAY: 61 contracts.

The WITNESS: If I might make an observation there; of that 61, a very high percentage are going to include the annuity feature and what we are so concerned about is what this bill is going to do to this type of contract. It appears to us that it will leave no choice to the purchaser, and the underwriter says, that is what we are worried about.

Mr. KNOWLES: Would you go so far as to say that it would affect all these 61 contracts?

The WITNESS: Oh, definitely; at least, I would go so far as to say that of the 61, 60 will be affected.

The CHAIRMAN: Well now, gentlemen, I see it is 11:30. We could go on for another two or three minutes if there are any further questions you wish to ask the witness.

Mr. KNOWLES: Mr. Chairman, there is a question which I would like to have answered by the government annuity officials. I would like to ask it now

because perchance the men may not be able to give me the answer this morning. It arises out of a letter I received a day or two ago. What is going to be the tax situation with respect to this second \$1,200. Is there an annuity official here who can answer that this morning for our benefit?

The CHAIRMAN: Would you like to answer that, Mr. McCord?

Mr. KNOWLES: The position with respect to the second \$1,200.

Mr. McCORD: I would suggest this, that I do not know—under the present income tax law I would say that it will be the same as those taken out in recent years where the interest portion only is taxable.

Mr. KNOWLES: What I would like to know is how that works out at the present time, and what would be the effect when the annuity goes higher. I understand the Department of National Revenue leaves it to your department to work the thing out.

Mr. McCORD: I do not think there is any limit to the tax end of it.

Mr. KNOWLES: Is it on a percentage basis, or how is it worked out?

Mr. McCORD: Perhaps Mr. Fletcher could answer that.

Mr. KNOWLES: Would he do that for us?

Mr. FLETCHER: Mr. Chairman, I can answer that.

The CHAIRMAN: All right, if you will.

Mr. FLETCHER: With regard to annuities sold today we are bound by the terms of the Income Tax Act. We merely supply the figures and the Income Tax Act imposes no limit on how much the annuitant may have. They just decide with respect to the annuity benefit that it shall be divided by formula into capital and interest. The interest portion is income taxable, as income, but the \$1,200 limit on annuities has nothing to do with it. It does enter into the picture. The same exemptions apply as applied to the old contracts. There is no reference to what is now being sold.

Mr. KNOWLES: What is that formula? Is that a complicated answer?

Mr. FLETCHER: No. The Income Tax Department has said, take the expectation of life according to the 1937 standard annuity table and divide that into the value of the annuity which says, in effect, you will get back each year part of your principal, and the difference between that principal and your total annuity payment per year is interest; that is, if you are getting \$1,200 a year annuity, the formula says that \$900 of that is capital and \$300 is interest and is taxable as income. If you are drawing \$1,200 a year now it provides for a tax on \$300.

The CHAIRMAN: Does that answer your question, Mr. Knowles?

Mr. KNOWLES: Yes, thank you.

The CHAIRMAN: Just before we adjourn, we have several communications from various people and I would ask that the clerk call a meeting of the steering committee at 6 p.m. today in the usual place for about the usual time.

I must thank you, Mr. Dunstall, and Mr. Foster and Mr. Mingay for the presentation which you have made to the committee today.

We will now adjourn until Monday morning next, at 9:30 o'clock.

APPENDIX "A"

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

522 Fifth Avenue
New York 18, New York

The Honourable A. MACNAMARA
Deputy Minister of Labour,
Ottawa, Canada.

SIR:

I have the honour of reporting that, in compliance with your instructions, I have studied certain schedules which have been furnished to me and which pertain to the mortality experienced during the years 1943-8 among persons in receipt of annuity payments under Canadian Government annuities, in relation to certain questions which you have stated. This letter discusses information which can be extracted from the schedules in relation to your questions, and respectfully submits conclusions which, in my opinion, follow from this discussion.

The Questions

You have asked for an interpretation of the mortality experience represented by the schedules, its meaning in relation to the financial operations of the annuity fund. You have emphasized the question of how much margin for possible future mortality improvement is indicated by the experience. You have also asked for an opinion as to what, if any, further studies of the mortality experience should be made.

The Schedules

I have been furnished with eight schedules which pertain to the following kinds of annuities:

- (1) Males—all kinds of annuities.
- (2) Males—ordinary annuities, i.e., (a) single life annuities without guaranteed period, (b) single life annuities with guaranteed periods but only after such periods have expired, and (c) last survivor annuities but only after the death of one annuitant. Both individual and group annuities are included.
- (3) Males—guaranteed annuities, i.e., single life annuities with guaranteed periods but only prior to expiration of such periods. Both individual and group annuities are included.
- (4) Males—individual (non-group) annuities, including both ordinary and guaranteed annuities.
- (5) Males—group annuities, including both ordinary and guaranteed annuities.
- (6) Females—all kinds of annuities.
- (7) Females—ordinary annuities, including both individual and group.
- (8) Females—guaranteed annuities, including both individual and group.

Each schedule shows for each attained age the "exposed to risk" (or annuities that were in force) at that age, and the actual deaths at the same age. All of these figures are in terms of amounts of annuity per annum.

These schedules are on the "aggregate" basis, i.e., at each age they combine together the figures for all durations; there is no separation by year of annuity

payments. In particular, there is no segregation of experience during the first year or two under immediate annuities. There has been excluded from all figures in the schedules the excess amount, if any, of each annuity over and above \$1,200 per annum. Experience under immediate annuities and matured deferred annuities has been combined in the schedules; there is no segregation of one kind from the other. The schedules for females do not separate experience under individual annuities from that under group annuities, there being a relatively small amount of the latter. The foregoing comments are offered in the interests of clarity and as an aid to later discussion, and not as a criticism.

Comparison of 1943-8 Experience with the British Offices Tables

As a first step in measuring the mortality experience represented by the schedules, I have compared the actual deaths with the deaths that would have occurred if the experience had exactly followed the British Offices (Ultimate) Annuity Mortality tables (called the a(m) and a(f) tables), set back 3 years of age. This yard-stick was selected because it is the basis upon which deferred annuities are now being issued; and immediate annuities now being issued are based upon these tables modified in but one respect, i.e., the reduction of tabular death rates during the first year of annuity payments by 37 per cent, the tables so modified being the official "select" tables. With only small adjustment, Tables 1 and 2 therefore show how the 1943-8 mortality experience conformed to the mortality rates which premium rates now offered to new purchasers assume will prevail in the future as long as currently-issued annuities continue in existence. Each of these two tables shows, in terms of thousands of dollars of annual annuity, the "exposed to risk," the "tabular" deaths (deaths that would have occurred if they had conformed to the stated tables), the actual deaths, and the percentage of actual to tabular deaths. Table 1 relates to males and includes all kinds of annuities.

TABLE 1

Males—All kinds of annuities.
1943-8 experience measured by a(m) ultimate table.
Set back 3 years of age.

Attained Ages	Exposed to risk	Tabular deaths	Actual deaths	% Actual of Tabular
	\$	\$	\$	%
50-4.....	1,296	12.4	6.7	*
55-9.....	2,492	33.4	34.0	102
60-4.....	4,104	80.0	92.0	115
65-9.....	5,646	158.6	183.5	116
70-4.....	3,945	160.9	169.5	105
75-9.....	2,449	151.4	170.1	112
80-4.....	1,133	109.8	132.1	120
85-9.....	388	55.4	76.0	137
90 up.....	105	22.5	24.9	111
Totals.....	21,558	784.4	888.8	113

* This percentage not significant because of small size of group.

Table 2 for females, corresponding to Table 1 for males, includes all kinds of annuities.

TABLE 2
Females—all kinds of annuities.
1943-8 experience measured by a (f) ultimate table
Set back 3 years of age.

Attained Ages	Exposed to risk	Tabular deaths	Actual deaths	% Actual of Tabular
	\$	\$	\$	%
50-4.....	2,392	19.9	18.9	95
55-9.....	4,110	40.0	42.3	106
60-4.....	5,963	73.2	60.8	83
65-9.....	6,314	106.7	105.8	99
70-4.....	5,022	126.9	156.6	123
75-9.....	3,557	144.0	182.9	127
80-4.....	1,942	130.5	177.9	136
85-9.....	730	82.3	103.5	126
90 up.....	183	33.6	45.7	136
Totals.....	30,213	757.1	894.4	118

Comments on Data Entering Tables 1 and 2.

Before commenting on the significance of the results shown in Tables 1 and 2, certain characteristics of the data upon which these tables are based should be considered:

- (1) Because, during the first year or two of annuity payments under immediate annuities, death rates are normally less than they are at the same age in subsequent years—a probability recognized by the use of select tables for immediate annuities, there is a little more margin (the percentages are a little larger) at certain ages than is indicated by Tables 1 and 2. The ages so affected are those at which immediate annuities are issued, presumably ages 50-69 and perhaps mainly ages 60-69. Thus, in relation to present premium rates for government annuities, the first four percentages probably should be increased a little. I have no means of computing precisely how much they should be raised, but surmise that in no case should the increase be more than 5 per cent.
- (2) Exclusion of that part, if any, of each annuity in excess of \$1,200 per annum affects the figures in Tables 1 and 2. But whether this exclusion tends to raise or lower the percentages I have no way of knowing. Moreover, since the present limit is \$1,200, the data should be appropriate in relation to annuities now being issued, and in any event it is doubtful that the change would be material.
- (3) Guaranteed annuities tend to produce slightly larger death rates than do ordinary annuities. Figures combining both kinds of annuities therefore depend somewhat upon the relative amounts of each kind. But since this difference is not large, and the relative proportions of the two kinds of annuities tend to remain stable, this factor can be disregarded. Most life insurance companies do so.

- (4) Whether or not immediate annuities (after the first year or two) result in mortality rates materially different from those occurring under matured deferred annuities, I have no way of demonstrating because no separation is made in the schedules. In the experience of United States life insurance companies, the difference has not been material. If that were also true of government annuities, the figures in Tables 1 and 2, combining both kinds of annuities, would be satisfactory for each kind of annuity.
- (5) Among males the mortality experienced under group annuities was radically different from that under individual annuities. This raises a rather important question which will be discussed in a later section.

Conclusions Which Can Be Drawn From Tables 1 and 2

The most important conclusion which can be drawn from Tables 1 and 2 is that among both males and females more deaths occurred during the years 1943-8 than contemplated by the present basis of premium rates, the excess being 13 per cent for males and 18 per cent for females, plus a few per cent because of factor (1) mentioned above. These excess percentages may be considered as the margins for possible future improvements of mortality after the years 1943-8.

It is also important that these excess death rates were not uniform at all ages; for females especially the excess was much larger at advanced ages and much less at younger ages. In fact, among females there was probably no margin at all at ages 60-69 taken together, even adjusting the experience to the select table for immediate annuities. And for males under age 60, the margin was quite small.

The important question of how long these excess death rates might continue in the future will be discussed later. At this point I will merely emphasize that the British Offices tables set back 3 years of age have been much less adequate at younger ages than at advanced ages, especially for females, and that a lack of equity is thereby indicated. This conclusion is strengthened by the fact that much the same situation exists and approximately the same conclusion is being reached with respect to annuities in other countries. The very large individual annuity experience among United States life insurance companies now shows that the mortality table in use (the Standard Annuity table) is somewhat deficient at younger ages and somewhat redundant at advanced ages, and that a new table, with a steeper gradient by age, is needed. This situation may be attributed to the relative mortality trends at the several ages, which are somewhat international in character.

In this connection Charts A, B, C, and D may be informative. The first two of these charts compare the 1943-8 government annuity death rates, covered by Tables 1 and 2, with the British Offices (Ultimate) tables, set back 3 years of age, and also with the same tables set back 1 year of age (the basis of government annuities prior to 1948). These two charts show that the 1-year set back was insufficient at most ages, that the 3-year set back produced an over-all safety margin which, however, was much smaller at the younger than at the advanced ages.

Charts C and D compare the government annuity death rates, covered in Tables 1 and 2, with those recently experienced under individual annuities by United States life insurance companies. The similarity of the two experiences is, in my opinion, striking.

The Past Trend of Government Annuity Mortality

A possible guide to the future trend of death rates among Canadian Government annuities is the past trend. Unfortunately, satisfactory statistics as to the past trend are not available to me. However, I have ascertained some facts about the government annuity death rates during the years 1908-36 which are somewhat helpful.

I have learned that over those years the aggregate actual deaths were 99 per cent of the a(m) ultimate table for males set back 1 year of age, and 100 per cent of the a(f) ultimate table for females set back 1 year of age, by numbers of lives. These may be compared with corresponding aggregate percentages over the years 1943-8 of 93 per cent for males and 99 per cent for females, including for males individual annuities only because, I presume, there was little, if any, group business during the years 1908-36. These percentages seem to indicate that death rates have decreased, but it should be noted that the earlier figures were calculated by numbers of lives whereas the later figures were based on amounts of annuity. Both Professor Mackenzie's 1937 report and some incidental figures for the years 1943-8 made available to me indicate that among government annuities death rates tend to be lower by amounts than by lives, so that the apparent decrease may not be real. In fact, if the 1908-36 percentages are adjusted downward by 7 per cent for males and 5 per cent for females (adjustments quoted by Professor Mackenzie) so as to obtain percentages based on amounts of annuity, the results are 92 per cent for males and 95 per cent for females. If these adjusted figures could be accepted, and were compared with the corresponding 1943-8 percentages of 93 per cent for males and 99 per cent for females, an increase of death rates would be indicated. I am of the opinion, however, that these percentages are not entirely reliable because of certain technical questions which I do not have the data to answer. But they do suggest (1) that, on the basis of amounts of annuity and all ages combined, death rates among government annuities probably did not change greatly between the periods 1908-36 and 1943-8, and (2) that, when gauged by amounts of annuity, the mortality basis adopted for government annuities in 1938 may not have been fully adequate to cover the then current death rates. As to the trends in the various age groups, I do not have sufficient information to comment.

However, three important considerations lead to the belief that the past trend of death rates among government annuities, as above indicated, should not be accepted as a reliable guide for the future. The first of these is the almost world-wide trend toward smaller death rates among populations, which has persisted, at times irregularly, for as far back as statistics are available. It is true that these decreases of mortality have been most marked at the infantile, juvenile, and young adult ages, have been less marked from middle-age to 60 or thereabouts, and small at older ages. Nevertheless, this trend among populations, even at the older ages, has been unmistakable and cannot be disregarded. Its causes are common knowledge: improvements in public health, sanitation, and medical practice. Volumes of tables show this trend in many countries; to be brief, I shall only quote, in Table 3, the mortality changes which have occurred in the Canadian population in the 14 years from 1931 to 1945, and remark that, in general, the changes shown for Canada in this table are rather similar to changes that occurred in other countries. During this particular period in Canada, the largest reduction of death rates occurred among females, but it should not be assumed that, in the long run, male death rates will not share in the reductions. In the United States, for example, during some periods one sex has shown greater improvement of mortality whereas during other periods the reverse has been true.

TABLE 3
Comparison of 1931 and 1945 Death Rates in Canadian Population
(Death Rates per 1,000 Population)

Age	Males			Females		
	1931 Death Rate	1945 Death Rate	% Decrease	1931 Death Rate	1945 Death Rate	% Decrease
			%			%
52.....	10.60	9.89	6.7	9.20	7.51	18.4
57.....	15.49	14.99	3.2	13.64	11.09	18.7
62.....	22.82	23.29	2.1 ¹	20.17	17.17	14.9
67.....	35.67	35.75	0.2 ¹	31.14	26.85	13.8
72.....	55.63	54.17	2.6	49.20	44.24	10.1
77.....	89.00	85.46	4.0	82.11	71.70	12.7
82.....	135.86	129.99	4.3	127.36	114.17	10.4
87.....	199.33	200.34	0.5 ¹	186.10	182.15	2.1
92.....	283.31	299.49	5.7 ¹	260.01	274.46	5.5 ¹

¹-indicates increase of the death rate.

The second important consideration suggesting caution in accepting the past trend of government annuity death rates as a guide to the future is that among annuitants in the United States and in Great Britain, in life insurance companies, there has also been a trend toward smaller death rates as time passes. Like the population trend, the trend among annuitants has persisted for many decades at a gradual, though at times irregular, rate. It is my opinion that no adequate reason exists for assuming that the general trend of mortality under Canadian Government annuities will, over a period of years, be materially different from the annuity trend elsewhere.

The third important consideration militating against the assumption of present government annuity death rates for the future is the phenomenon of "self-selection," or the converse, which can affect mortality rates substantially. The old adage that "annuitants live long lives" illustrates that, in general, only persons who consider themselves to be in good health acquire annuities, others refraining from doing so. But the intensity of this phenomenon can and does change substantially from time to time. The facts that government annuity premium rates have always been very attractive and that recent social and economic trends have caused annuities to become more and more an accepted means of providing old-age income, suggest strongly that self-selection probably has had a substantial, though immeasurable, influence on government annuity mortality. It is possible, I think, that variations of self-selection have been powerful enough to mask completely a normal trend toward smaller death rates.

*The Future Trend of
Annuity Mortality*

Since no one can predict the future, no one can know the future trend of annuity mortality in general, or of government annuity death rates in particular. The only gauge is informed opinion—medical, economic, sociological, and actuarial. Speaking only of the latter, which in large measure reflects the other views also, opinion is unanimous that there is no valid reason for assuming, in the calculation of annuity premium rates that the past trend towards lower death rates will reverse itself. There are causes which might

result in stationary or increasing death rates, it is true, but there are more cogent reasons which lead most actuaries to the conclusion that the only safe assumption is that the past trend will, in general, be continued, and perhaps accelerated.

Actuaries' opinions naturally differ considerably as to precisely how much allowance for possible future mortality improvement should be made in annuity premium rates. However, I believe it a fair statement that many actuaries think that an over-all average (over the years and ages) improvement in death rates of somewhere in the neighborhood of 1 per cent per year is a not unreasonable margin to assume in the fixing of such rates. More information on this question will be available later in 1949 when a study of the experience of United States life insurance company annuities, now in progress, is completed. But in the meantime, some very rough figures for the various kinds of annuities, assuming that the rate of decrease just mentioned applies at all ages and during all years, may be helpful.

Most deferred annuities continue in effect for much longer periods than do most immediate annuities. The latter, typically issued at ages 60-70, continue only for the life expectancies of persons of that age, which may average 15 years. Therefore, assuming the objective of over-all mortality equal to 100 per cent of tabular death rates, excess percentages in earlier years offsetting deficient percentages in later years, as initial margin for possible future mortality improvement of about 8 per cent of death rates would be needed for immediate annuities on the assumption of mortality decreasing at the rate of 1 per cent per annum. Because immediate annuities issued at younger ages continue in existence longer than those issued at ages 60 to 70, larger margins are suggested for them; and for immediate annuities issued over ages 60 to 70, smaller margins are permissible.

According to this admittedly imperfect criterion, the margins shown for immediate annuities in Tables 1 and 2 for all ages combined are indicated to be a little more than sufficient, but the margins were less at the younger ages and greater at the advanced ages, as already mentioned.

Deferred annuities, on the other hand, are typically issued at ages 25 or 30 to 40 or 45 and, therefore, begin to provide annuity payments only after about 30 years, on the average. These annuities, after payments begin, should continue in effect for periods comparable to those of immediate annuities. Since government deferred annuities during their deferred periods do not involve any mortality risk, the margin for possible future mortality decreases indicated for them is simply the margin appropriate for immediate annuities at ages 60 to 70 when deferred annuity payments presumably begin, plus an additional margin to cover mortality improvement assumed to occur between the date the contract was issued and the date annuity payments begin. For example, for a deferred annuity contract issued at age 35, mortality decreases during the 30 years to age 65 at the rate of 1 per cent per year would amount to approximately 26 per cent, which when combined with the 8 per cent immediate annuity margin mentioned above would indicate a total needed margin of 32 per cent of death rates. For ages at issue younger than 35, the calculations would, of course, produce larger margins than that just quoted, and for issue ages over 35 smaller margins.

These margins, as indicated for deferred annuities by the "1 per cent rule-of-thumb," are for the common ages at issue substantially larger than those shown in Tables 1 and 2 for ages 60-69. This suggests in a very approximate way that at most issue ages margins substantially greater than those shown by the 1943-8 mortality experience may be needed in order to avoid the possibility of financial losses in future years. These losses would be of the type now being incurred under deferred annuity contracts issued before 1938 and now entering the period of annuity payments, the amount of such payments being calculated from the sums of money now accumulated,

according to a mortality table discarded as insufficient in 1938. The unwisdom of disregarding known long-term mortality trends in relation to such long-term contracts seems obvious.

But the incorporation of margins of the magnitude indicated above raises a real question: if, as time passes, mortality rates do not improve to the extent anticipated, what equitable increase of annuity benefit payments should be made? One solution of this problem is to provide in each deferred annuity contract, or otherwise, that if, when annuity payments begin, the accumulated reserve under the contract would purchase—according to immediate annuity rates then prevailing—an annuity larger than that originally promised in the contract, then such larger annuity will become payable. Another solution is the payment of dividends.

Group Experience vs. Individual Experience

The 1943-8 death rates under male group annuities differed radically from those under male individual annuities, as is shown in Table 4, which shows the mortality percentages for each of these two kinds of annuity, corresponding to the combined percentages shown in Table 1.

TABLE 4

Males—Individual and Group Annuities Compared.
1943-8 experience measured by a(m) ultimate table
Set back 3 years of age

Attained Ages	Individual		Group	
	Actual Deaths	% Actual of Tabular	Actual Deaths	% Actual of Tabular
	\$	%	\$	%
50-4.....	5.8	*	0.9	*
55-9.....	31.4	96	2.6	*
60-4.....	75.3	100	16.6	399
65-9.....	136.2	107	47.3	152
70-4.....	134.0	100	35.5	131
75-9.....	160.6	112	9.6	112
80-4.....	128.5	120	3.6	*
85-9.....	76.0	138	0.0	*
90 up.....	24.7	110	0.2	*
Totals.....	772.5	109	116.3	153

* This percentage not significant because of small size of group.

From Table 4 it is noted that the male group death rates were substantially greater than those experienced under male individual annuities, the difference below age 65 being large.

Because the volume of male individual annuities predominates, the margins indicated for them alone are moderately smaller than those shown for all male annuities in Table 1. The diminished margins indicated in Table 4 occur practically entirely under age 75. The conclusions drawn from Table 1 are not changed qualitatively if male individual annuities are considered by themselves; they are, however, magnified somewhat.

For male group annuities Table 4 indicates much larger margins than does Table 1 and, therefore, leads to very different conclusions if male group

annuities are to be considered by themselves. In total, it is seen that the death rates were 53 per cent greater than anticipated by the basis of present premium rates, and below age 65 the excess was quite large. It might be questioned that this high mortality under age 65 is normal. I am inclined to think that it may have been somewhat greater than normal, but that high mortality rates are to be expected under such circumstances. It is due, of course, to premature retirements, many of them actual disability cases, and is a phenomenon which is not uncommon among pension annuities started before age 60 or 65. It appears in the very large group annuity experience of United States life insurance companies. If it is assumed that this phenomenon is normal and that male group annuities are to be considered separately from other male annuities, the unsuitability of the British Offices tables for such annuities is obvious.

However, as a practical matter until the volume of group experience increases and becomes more reliable, it would, in my opinion, be justifiable to merge the male group and individual annuities and to consider them together. No data as to female group experience were made available to me because the volume was very small and the experience therefore of little value.

Possible Further Mortality Investigations

I do not think it very important to make a more detailed study of the 1943-48 mortality experience immediately. The schedules furnished me provide a good guide for immediate annuities to be issued in the near future, and as for deferred annuities such long periods are involved that a close study of current experience cannot provide a precise measure of death rates to be provided for many years hence.

But I do think it most important, in view of the large volume of government annuities and the fact that mortality rates are always changing—sometimes in unexpected ways—that as soon as convenient a “continuous” study of government annuity mortality experience be begun. Such a continuous study might initially cover the years 1943-48, or any other group of several years, as a nucleus. Then, each year the additional experience during that year would be tabulated, analysed, and added to the experience previously available. Continuous studies of this kind can be organized so as to be carried on with a reasonable amount of effort and expense and are recognized as one of the best, if not the best, of methods of studying mortality rates prevailing among a substantial group of persons. In both the United States and Great Britain, the life insurance companies jointly support a continuous study of this kind, of mortality under annuities.

Such a study is usually made by means of punch cards. For Canadian Government annuities, consideration should be given, I think, to: (1) separation of immediate from deferred annuities, (2) separation of group from individual annuities, (3) separation of guaranteed annuities throughout their durations from ordinary annuities, (4) inclusion of both annuitants under last survivor annuities from issuance of the contract and separation of these annuitants from other annuitants, (5) analysis by duration of annuity payments for several contract years at least, and (6) analysis not only by amounts of annuity but also by numbers of lives or contracts. The object of such separations would be to detect and measure the magnitude of any divergent trends, the object of including all last survivor annuities to complete the study of all kinds of annuities, the object of analysing death rates in the early durations of annuity payments to gauge the different mortality rates that frequently occur in such years, and the object of considering numbers of lives or contracts to shed more light on the results including the effects of self-selection.

Respectfully submitted,

(Sgd.) WILMER A. JENKINS.

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HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament

1951

(Second Session)

STANDING COMMITTEE

ON

INDUSTRIAL RELATIONS

Chairman: Mr. A. FRED MACDONALD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

BILL No. 23

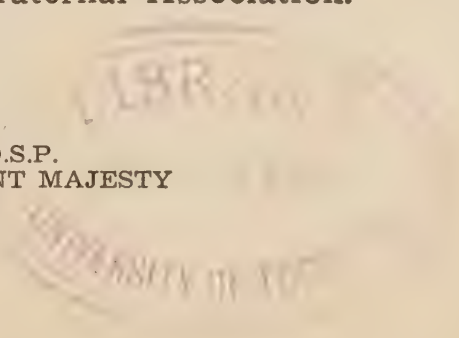
An Act to amend the Government Annuities Act

MONDAY, DECEMBER 3, 1951

WITNESSES:

Wm. M. Mercer, President, Mr. Laurence E. Coward, and Mr. Wm. D.
Welsford of Wm. M. Mercer Ltd.;
Mr. Hector Menard representing the Canadian Fraternal Association.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951



ORDER OF REFERENCE

MONDAY, December 3, 1951.

Ordered,—That the said Committee be empowered to sit while the House is sitting.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

MONDAY, December 3, 1951.

The Standing Committee on Industrial Relations begs leave to present the following as a

SECOND REPORT

Your Committee recommends that it be empowered to sit while the House is sitting.

All of which is respectfully submitted.

A. F. MACDONALD,
Chairman.

MINUTES OF PROCEEDINGS

MONDAY, December 3, 1951.

The Standing Committee on Industrial Relations met at 9:30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Brown (*Essex West*), Bryce, Byrne, Côté (*Verdun-Lasalle*), Croll, Gauthier (*Lac St. Jean*), Gillis, Knowles, Lennard, Macdonald (*Edmonton East*), McWilliam, and Mrs. Fairclough.

In attendance: Hon. M. F. Gregg, V.C., Minister of Labour; Mr. A. MacNamara, Deputy Minister of Labour; Mr. C. R. McCord, Director, Annuities Branch, Department of Labour; Mr. Wm. M. Mercer, President, William M. Mercer Ltd. of Vancouver, B.C., with Messrs. Laurence E. Coward and Wm. D. Welsford representing the same Company; Mr. Hector Menard, representing The Canadian Fraternal Association.

The Chairman presented the Third Report of the sub-committee on Agenda and Procedure which is as follows:

Your sub-committee on Agenda and Procedure having met on Friday, November 30, recommends:

1. That all submissions received to date be incorporated in the Minutes of Proceedings and Evidence of the Committee.
2. That no submission received after 10.00 o'clock a.m. Monday, December 3, be considered.
3. That the Committee request permission to sit while the House is sitting.

On motion of Mr. Croll.

Resolved,—That recommendations numbers 1 and 2 of the Third Report of the Sub-committee on Agenda and Procedure, presented this day, be now concurred in.

The Chairman read into the record the following correspondence received by the Committee regarding Bill No. 23, An Act to amend the Government Annuities Act:

1. A telegram from Investors Syndicate of Canada Limited.
2. Letter from the Canadian Chamber of Commerce.
3. Letter from Dr. Orr, of Winnipeg.

Messrs. Mercer, Coward and Welsford were called, questioned and retired.

Mr. Menard presented the brief of the Canadian Fraternal Association, was questioned thereon, and retired.

On motion of Mr. Brown, the committee adjourned at 11.00 o'clock a.m. until 8.00 o'clock p.m. this day.

EVENING SITTING

The Standing Committee on Industrial Relations met at 8.00 o'clock p.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Balcer, Brown (*Essex West*), Byrne, Carroll, Cloutier, Côté, (*Verdun-Lasalle*), Croll, Gauthier (*Lac St. Jean*), Gillis, Knowles, Lennard, Macdonald (*Edmonton East*), McWilliam, Viau, and Fairclough, (Mrs.).

In attendance: Hon. M. F. Gregg, V.C., Minister of Labour, Mr. C. R. McCord, Director, Mr. J. E. Davidson, Assistant Director, and Mr. J. G. Fletcher, Actuary, Annuities Branch; Mr. A. H. Brown, Executive Officer and Solicitor, Department of Labour.

The Chairman read into the record a telegram from the Canadian Catholic Confederation of Labour.

Mr. McCord submitted a set of annuity tables. (*See Appendix "A" to this day's Evidence*).

On motion of Mr. Croll.

Resolved,—That the Committee proceed to consider Bill No. 23 clause by clause.

Clauses 1 and 2 were adopted.

On motion of Mr. Knowles,

Ordered,—That a copy of the office consolidation of the Government Annuities Act, together with a copy of Bill No. 23, be incorporated in the record. (*See Appendices "B" and "C" to this day's evidence*).

At 10.00 o'clock p.m., the Committee adjourned until 9:30 o'clock a.m., Wednesday, December 5.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

December 3, 1951.

9.30 a.m.

The CHAIRMAN: Gentlemen. We have a quorum.

The subcommittee on agenda and procedure met and recommends:

1. That the submissions received to date be incorporated in the minutes of proceedings and evidence of the committee;
2. That all submissions received after 10 o'clock a.m., Monday, December 3rd., be considered;

Mr. LENNARD: Why, Mr. Chairman.

The CHAIRMAN:

3. That the committee request permission to sit while the House is sitting.

Mr. LENNARD: Mr. Chairman, why should they be cut off so soon?

The CHAIRMAN: Well, we thought that as this bill was introduced into the House around the 12th or 15th of the month, sufficient time had passed. The feeling of your subcommittee on agenda and procedure was that sufficient time had passed for submission to be received.

Mr. CROLL: Is there any body that Mr. Lennard wanted to have heard particularly?

Mr. LENNARD: No, but I think this thing is being rushed too much. Our evidence is not printed yet. We will never read any of it. We will never be able to study this thing from every angle, and it is now being railroaded through in a big hurry, and I can't see the reason for it.

Mr. CROLL: Mr. Chairman, I object to the word "railroaded" which has just been used.

Mr. LENNARD: Well, use any word you like.

Mr. CROLL: And I object to it for this reason: As the chairman points out it was on the 8th of November, not the 12th, as I recall it, that the minister gave notice of this Bill in the House of Commons. Notice of it appeared on the order paper where it stayed an appropriate length of time and then it was introduced into the House, three or four days later, and there were speeches made by representatives of all parties; and ample notice was given to all people who wanted to be heard on it; and I understood the only people who wanted to be heard—I attended one meeting—were the life insurance companies and some other individuals. Mr. Mercer is here this morning. We made special provision for him in order to have his views. I for one thought he ought to be heard, and he is here today. I am not aware of anyone who did not have notice that we were ready to start. We have to get the matter cleared up sometime or other. It seems to me that, in addition, at that time there was ample notice in the newspapers that the government intended to make some changes in the Annuity Act. They indicated that there would be an increase in the amount, and they indicated that they might make some other changes that would, perhaps, be of interest to a number of people. So, in the circumstances I think Mr. Lennard or anybody else who uses the word "railroaded" as

applying to the manner in which the affairs of this committee have been conducted is unfair; well, it is an unfair suggestion, and it is an unfair reflection upon the committee, because I have seen no railroading.

Mr. LENNARD: But you were not here.

Mr. CROLL: I was here Friday.

The CHAIRMAN: Now, Mr. Lennard and Mr. Croll, I would like to point out that we set up a subcommittee on procedure and agenda. That committee has held three meetings. There is some correspondence to be placed on the record this morning. That will be ready immediately this matter from the steering committee is dealt with. Now, I can assure you there has been no attempt that I have observed on the part of anyone on this committee or on the steering committee to "railroad" this legislation. All points are being dealt with in a fair and unbiased manner; and we are open now for a motion to accept this report of your steering committee, on agenda.

Mr. LENNARD: Just a minute, Mr. Chairman; I would like to follow up what I said a few minutes ago. We had a meeting which was called to start at 9.30 on Friday, and it got started about 10 o'clock, and then we heard from a number of important individuals who were here from all over Canada and they were given just so much time. Whether they wanted more or not, I do not know; but they certainly did not have too much time and the time was extended, as you know, for half an hour. And so, from that, I do not think there was adequate time given at that meeting for them to be heard properly.

The CHAIRMAN: Well, I do not recall from the chair any more questions that anyone wished to put to these witnesses when they were here.

Mr. CROLL: That is right.

The CHAIRMAN: I thought that those witnesses seemed very pleased with the extension of time granted in their case to enable them to complete their submission.

Mr. LENNARD: Very well, Mr. Chairman, I will not say anything more on the point this morning and we will see how things proceed.

Mr. KNOWLES: I think we should get along with the job.

The CHAIRMAN: Yes.

Mr. KNOWLES: But I wonder if that section of the report recommending that we stop accepting briefs after today is really necessary. Could we not leave that to the good sense of the committee?

Mr. LENNARD: There may not be any more, I don't know.

Mr. KNOWLES: Could we not leave that to the good sense, the good judgment of the committee? If we pass that we have taken final action. I do not know of anyone else who wants to be heard.

Mr. LENNARD: I don't either, but I don't like that attitude.

Mr. KNOWLES: Would that be embodied in our report to the House?

The CHAIRMAN: This is just a report to the committee from the steering committee.

Mr. KNOWLES: Incidentally, it was my fault perhaps but I was not at the meeting of the steering committee—

The CHAIRMAN: That is right.

Mr. KNOWLES: —which adopted this report, and there was another item there which I still object to, though if a majority favor it I will not enter any further objection.

The CHAIRMAN: Would the committee care to adopt sections 1 and 3 of the report of the steering committee, leaving out section 2, that no submissions received after 10 o'clock this morning, December 3rd, be considered?

Mr. BROWN: Why not call them clause by clause, Mr. Chairman?

The CHAIRMAN: Gentlemen, shall clause 1 of the report of the sub-committee on agenda be approved?

Those in favour? Those opposed?

Carried.

Shall clause 3 of that report, that the committee request permission to sit while the House is sitting, carry?

Those in favour? Those opposed?

Carried.

Mr. KNOWLES: On division.

The CHAIRMAN: Now, on section 2 of the report; that no submission received after 10:00 o'clock a.m., Monday, December 3rd, be considered.

Those in favour?

Mr. KNOWLES: Mr. Chairman, had you not better let that stand? Let us not take final action on that.

Hon. Mr. GREGG: Mr. Chairman, since that matter has been dealt with I would like to make a comment on Mr. Lennard's charge of undue haste. He referred especially to the witnesses who appeared here on Friday and he said that they had not had a chance to give all the evidence they desired. Is that true?

Mr. LENNARD: That is a fair assumption I would say, yes.

Hon. Mr. GREGG: Mr. Duncan McTavish is here this morning, he can express his views as to the feeling of the delegation with which he was associated and which appeared here Friday last. Mr. McTavish, what are your views on that?

The CHAIRMAN: Pardon me, Mr. McTavish, have we the permission of the committee to call Mr. McTavish on the question?

Hon. MEMBERS: Agreed.

Mr. DUNCAN MCTAVISH: Mr. Chairman and gentlemen of the committee, so far as the Canadian Life Insurance Officers Association, which appeared before you on Friday last, is concerned, they are perfectly satisfied with the time given them and the consideration shown to them while they were making their submission.

Mr. KNOWLES: Mr. Chairman, may I ask what priority this committee has with regard to the printing of its record? Are we A, B, C, D or X?

The CHAIRMAN: We are taking our position as it is available with the bureau.

Mr. KNOWLES: Is there the possibility we may have copies of it before the bill is debated back in the House?

The CHAIRMAN: I could find out and report back to you at the next meeting.

Mr. KNOWLES: It may be useful.

The CHAIRMAN: We have some correspondence to table this morning. We received a telegram from the Investors Syndicate of Canada Limited, signed by its vice president, J. K. Brummell, head office, Winnipeg, addressed to the Chairman of the Standing Committee on Industrial Relations. I will read it:

RE: BILL 23 to amend the Government Annuities Act—

This company views with serious alarm the proposal to amend the Government Annuities Act as outlined in last week's Financial Post. As custodians of the savings of some 82,000 Canadians who have seen fit to entrust us with some or all of their life savings we see a threat to our very existence and we heartily join with 64 life insurance com-

panies doing business in Canada in their appeal to you. We feel proposed move would break faith with private enterprise in the field of thrift. This company bases its appeal for reasonable thinking on the fact that not only through our 300 representatives do we encourage thrift and ultimate security through the purchase of our savings and annuity certificates but resultant funds are channelled into Canada's top securities including Government, Municipal, Corporation, as well as mortgages. Through the latter department alone 7,000 Canadian have obtained first class housing through our mortgage department. All told some thousand Canadians derive a living from our activities. We strongly urge that the government refrain from any further embellishments to present annuity. Private enterprise can not stand paying half its visible taxes toward further sale of subsidized government annuities nor will prudent investment allow us to meet proposed new government rate. We earnestly urge reconsideration.

INVESTORS SYNDICATE OF CANADA LIMITED

by J. K. BRUMMELL, VICE PRESIDENT,
HEAD OFFICE, WINNIPEG, MAN.

That has been acknowledged and, in accordance with the motion that has just been passed, that will be tabled and placed in the record.

We also have a letter from the Canadian Chamber of Commerce. That will also be tabled. We have not enough copies to go around, but we will make some and each member will be given a copy of this letter before the next meeting.

THE CANADIAN CHAMBER OF COMMERCE

Board of Trade Building
Montreal 1.

November 26th, 1951.

Mr. A. F. Macdonald, M.P.,
Chairman, The Standing Committee on Industrial Relations,
House of Commons,
Ottawa, Ontario.

Dear sir:

In the years 1936, 1939 and in 1940, the executive council of The Canadian Chamber of Commerce made representations to the government in regard to Canadian Government Annuities. In view of the fact that Bill No. 23, an Act to Amend the Government Annuities Act, is now before your committee and parliament, the executive council of the Canadian Chamber wishes to reiterate certain of its previously expressed views.

The council still believes that government annuities should be placed on a self-supporting basis and should not be subsidized, as at present, by the taxpayer. Literature issued by the Department of Labour in connection with Canadian Government annuities makes capital of the fact that Canadian government annuities afford the most attractive way to save because "you buy your income at cost; the government pays all administration expenses". The Annuities Branch reports offices and representatives in 42 centers across Canada which must be staffed and maintained at considerable expense to the Canadian tax-

payer. In addition, further cost is involved in the provision of literature to promote the sale of government annuities. Due almost entirely to the fact that government annuities include no provision whatever for such costs of administration, the premiums are substantially lower than the premiums which private business is obliged to charge for similar benefits.

In effect, the above situation means that the cost of providing government annuities is borne by taxpayers generally and discriminates as between purchasers of private and government annuities. It also provides unfair competition to private enterprise.

In view of the expressed intention of the government to curtail ordinary federal expenditures, particularly during this period of high taxation, the executive council believes that the government should, more than ever, give consideration to placing government annuities on a self-supporting basis instead of depending upon subsidization by the taxpayer.

The council is of the view that only a small proportion of those for whom the scheme was originally instigated have applied for and purchased government annuities.

Moreover, it is submitted that the new Pensions Act will, to some extent, provide the type of protection originally projected by the Annuities Act and the present would now appear to be an appropriate time for the government to discontinue the solicitation of annuity business at the expense of the taxpayer.

Finally, the enactment of Bill No. 23, which would provide for a doubling of the maximum annuity obtainable, and for other benefits, particularly the provision of cash values, would aggravate the situation outlined above.

Therefore, the executive council of the Canadian Chamber of Commerce urges your Committee to recommend to the Government of Canada that:

1. Bill No. 23, an Act to Amend the Government Annuities Act, be withdrawn;
2. The payment of salaries, commissions and other expenses of agents especially employed for the sale of government annuities be discontinued unless they are placed on a self-supporting basis.

We respectfully submit the above recommendations as we feel that we would be unmindful of our duty as citizens of Canada in not calling to your attention the important effects of the Government Annuities Act on the taxpayer and the implication of the proposed amendments to private enterprise.

Yours very truly,

H. H. LANK,
Chairman, Executive Council.

We also have a communication from the Canadian Fraternal Association and copies of this brief were distributed to the committee. In the last paragraph of the letter accompanying that brief, we are informed as follows:

Mr. Hector Menard, immediate past president of our association and secretary-treasurer of l'Union St. Joseph du Canada, is located in Ottawa and will be present at tomorrow's hearing. If you care to call upon him he will be glad to speak to our submission.

I believe Mr. Menard was here on Friday last, and I understand that he is here again this morning.

I have a letter here from Dr. W. L. Orr. I do not know whether to consider this a personal letter to me or not. It is addressed to the Chairman of the Commons Committee on Industrial Relations. Do you wish to have this letter on the record?

Mr. KNOWLES: Yes.

1122 Grosvenor Ave.,
Winnipeg, November 30, 1951.

The Chairman,
Commons Committee on Industrial Relations,
House of Commons,
Ottawa, Canada.

Dear sir,

I have noticed the enclosed clipping from the Winnipeg Free Press, which I am enclosing as the subject of my comments which follow.

Several years ago following discharge from the services I had occasion to consider veterans life insurance for which I was eligible. I was surprised to find that the rates were not much better than I could get on ordinary life insurance, and certainly I could not afford to drop insurance of this variety which had only been in force for two or three years. I did a little rough calculation on my own with mortality statistics available, and found very little to confirm that the rates charged were simple expectancy of death rates and that the government stood the cost of administration. In the little pamphlet published to publicise the insurance, it was actually stated that the rates were up because all veterans, regardless of whether they bore any marks of injury or not were poorer risks for their experience in the service. You will find this as the statement in answer to the question 'If the government bears the cost of administration, are the costs reasonably low?' I regard this answer as probably complete bunk, and at least unscientific, as I know of no figures by which such a 'loading' could be determined. If such a situation indeed does exist, then it is high time that the government should be paying a morbidity pension to all who were in the service.

I make this point only to suggest that the insurance companies had some hand in shaping the manner of veterans insurance so as not to expose the high costs of insurance under private companies. Now we come to another move to regain the annuity side of life insurance, which is surely the greatest racket ever propagated upon an unsuspecting public. I hold several policies with a cash value (annuity) that disappears completely if I should die before the policy runs out, and further, since some of this cash value is loaned to me at the time, it is deducted from the face value of the policy at time of death, if still outstanding on the company books.

I would urge the committee to take a jaundiced view of any move to quit the annuity field in favour of the insurance companies. Instead I would publish the fact of government annuities louder and louder. I was 28 before I ever heard of a government annuity. If it is true that only a few of the wealthy buy government annuities, which I doubt, then surely it is to those few who pay the most tax that the government owes something to provide a means of saving with all the tax of 'management' removed.

Sincerely,

Dr. W. L. ORR.

The CHAIRMAN: We have with us this morning, gentlemen, Mr. William M. Mercer, of William M. Mercer Limited, of Vancouver. I am going to call on Mr. Mercer to introduce two gentlemen who are accompanying him to this meeting, and I would ask that Mr. Mercer outline the qualifications he has to make a submission to this committee.

Mr. MERCER: I am president of William M. Mercer Limited. Your chairman stated "of Vancouver". Actually, we have four offices, one each at Toronto, Montreal, Calgary and Vancouver. Toronto is our largest office, but I like Vancouver so I spend most of my time there. First of all, I would like to introduce Mr. W. D. Welsford, who is director of our company and manager of our Toronto office, and Mr. L. E. Coward, our chief actuary, and a director. He is also located at our Toronto office.

We are independent consultants in the field of employee benefit plans. When I say independent, I mean that we sell welfare plans, pension plans, group insurance plans, sickness and accident plans, and all that type of thing. We install, but do not act on behalf of any one underwriter. The majority of our income comes from these and our job is to use the underwriting basis we consider best at the particular time. We have underwritten pension plans by insurance companies and we set up trust funds administered by trustees and pay pensions out of such funds. We have had considerable experience with Canadian government annuities because until the 19th of April, 1948, we used them to a great extent and I suppose we are responsible for investing in Canadian government annuities tens of millions of dollars. Since April of 1948 we have used them practically to no extent at all. I think we have installed one or two small plans but we do not consider Canadian government annuities today as a satisfactory basis for underwriting pension plans and we have not used them. I would like to list some of our clients. These clients do not necessarily use Canadian government annuities.

Mr. KNOWLES: Before you leave that point, it is known to all of us, but you might indicate for the record what happened on that date, the 19th of April, 1948.

The WITNESS: May I list our clients first? We have several hundred, Canada Packers, B.C. Electric, Howard Smith Paper Mills, Henry Morgan, Massey-Harris, Algoma Steel, Government of Alberta, Dunlop Tire and Rubber Company, A. V. Roe, E. B. Eddy Company, St. Lawrence Paper Company, Southam Newspapers, and many other very large and prominent Canadian corporations.

Now, you asked me what happened on the 19th of April, 1948. An order in council was tabled which lowered the rate of interest on the accumulation of money in government annuities from 4 per cent to 3 per cent. It changed the mortality basis in such a manner that it was less favourable to the purchaser, and made a minor change in that a person could not make irregular contributions on his annuity but must undertake to make regular contributions. I should point out that the order in council did not lower the rate of interest payable in the event of the man's death, which is still 4 per cent, which I do not believe is realized by too many people. If I buy a government annuity and die before it matures the money is still returned at 4 per cent, although this new bill as I interpret it will allow that 4 per cent to be reduced.

Now, we have no financial interest in what happens to government annuities, whether they disappear entirely or whether they are based on 10 per cent interest. We have no financial interest because our duty is to take the underwriting basis that is best at the time. However, many of our clients have an interest in it and we will have to give you some of their views. It is very difficult for us to pound the pulpit very hard for any side because we have no direct financial interest. I think I can sum up my own personal feelings this way, that the members of parliament must decide whether or not the govern-

ment should be in the annuity business. If they decide they should be in the annuity business then something like this bill is undoubtedly necessary. I would like to make it very definite I am not saying whether or not the government should be in the annuity business, I do not think it is my business to say.

Mr. CROLL: Wasn't it decided forty-three years ago?

Mr. LENNARD: They may have made a mistake.

Mr. CROLL: It has been a long-time mistake.

The WITNESS: From time to time the government should examine the situation and see whether or not they should continue in the annuity business.

Mr. COTE: That was a point made by officers of the association last Friday, that the opinion of the committee should be invited.

The WITNESS: If parliament has decided it should continue in the annuity business I should point out that Government annuities as they are today could not be recommended by us as an underwriting basis of any pension plan, whether or not an individual should buy annuities as they are today is not our field, but I would personally not buy one myself, and as far as a corporation or group of employees is concerned I would not under any circumstances recommend Canadian government annuities as they are today. Therefore, if the opinion of parliament is that the government of Canada should be in the annuity business, obviously some changes must be made and the bill as I read it has been designed to do substantially that.

By Mr. Knowles:

Q. When you say you would not recommend the use of government annuities as they are today, I presume you are referring to them on their present basis before this amending bill is passed?—A. That is correct.

Q. Do you anticipate that the passing of this bill in its present form would alter that position at all? Would you as an independent firm placing contracts wherever you think you can get the best advantage for your clients change your present policy?—A. I am going into that subject if I may. The bill gives very wide power to the minister and I would like to point out the mere passage of that bill will not make annuities any better than they are now and could even make them worse than they are now. As a citizen I do not like to see too much discretionary power in the hands of the minister and I think most citizens feel that way. Undoubtedly it is necessary from an administration point of view in many cases, but I should point out the bill more or less limits the minister's discretion in that the rate of interest is supposed to be tied to the rate on government bonds which at the present time is about 3.4 per cent. But what so many people fail to realize is that there are two other items which are equally important. One is mortality. The rate which a citizen or employer pays for a government annuity is a function of two things, one is interest, and the other is mortality. You could use 4½ per cent interest and a mythical mortality table which would make annuities more expensive than they are now. I think we should all realize that the bill itself does not do very much. The important decisions are yet to be made and by order in council.

Now, the other important item—and I would stress this—the most important decision, the most important thing about the bill, the most important thing you are considering doing is giving cash values.

As far as the average citizen is concerned and as far as the employer is concerned the great fault of government annuities has always been that a man cannot get his cash back. The bill is permissive in that respect. It says that cash values can be given, but it does not say under what circumstances.

For example, maybe a man will have to wait for 25 years before he gets back his cash, and even then at a negative rate of interest. We do not know that. So there are those two very important things: the mortality basis to be used, and the terms under which cash values are to be given, if they are given.

You will have to decide whether you think it is a matter for parliament or for the minister.

Hon. Mr. GREGG: You have referred to the minister. I would like to say that we are subject to the Governor in Council upon recommendations of the Treasury Board. That is quite different from saying "for the minister".

Mr. KNOWLES: But it is still done by order in council rather than by statute.

Hon. Mr. GREGG: Yes, particularly the surrender feature.

The WITNESS: Another thing I would like to speak to you about is the matter of subsidized annuity rates. All across Canada I hear the term thrown about quite often, that the government should not subsidize annuities. I am in entire agreement with it. I do not think that it should. However, I would like to throw a bit of doubt in your minds as to whether or not they are really being subsidized.

Mr. KNOWLES: Hear, hear!

The WITNESS: First of all, take the present government annuity rate basis of 3 per cent interest. Government bonds yield about 3·4 per cent. I only wish that I could borrow money at 3 per cent. I think I could make money on it, and I think that the government could make money on it.

The mortality basis is generally considered to be adequately conservative. That is, it assumes that people will certainly live as long as they do live; but whether it has enough margin in it over the next 30 or 40 years, only God knows; however it is considered to be conservative by actuaries, and I would refer that point to our actuary, because he can speak on it with more authority than I can. As to the matter of interest, they are not being subsidized. However, as to mortality, I refer to the actuary. Nevertheless, generally speaking, the table is more conservative than the table in use in the insurance industry for certain types of group business.

As to expenses, it has been said to be about $1\frac{1}{4}$ per cent of premium income. It probably does not include a lot of indirect expenses, such as the expenses of this committee. Maybe it should be doubled.

Mr. CROLL: No, no. We went into that and we reached a rate of 1·49.

Mrs. FAIRCLOUGH: 1·68.

Mr. CROLL: 1·6 was the highest figure we could work out including everything, such as rent for premises, postage, and all expenditures we could possibly think of; yet it only came to 1·6.

Hon. Mr. GREGG: I think the witness has a point in suggesting that we did not add the cost of this committee.

Mr. KNOWLES: It meets only once every 43 years.

The WITNESS: The point is that on the basis of 3 per cent interest, with the margin between 3 per cent—which is the rate at which money is borrowed today, and 3·4 per cent because that is what people will pay for government bonds, I mean long-term government bonds—I think that the interest margin will probably more than take care of any expenditures, so I think you are making money. The only thing is that you are not selling very many. You are not selling any to groups. No, I think I would qualify that statement. You are selling a small number, but it is picayune compared with the great volume of group business which was done prior to 1948.

Many employers have ceased to use the government annuities and have cancelled their government annuity plans on our general recommendation. But they will continue to use the old 4 per cent rate for those people covered by them in certain cases. However, they will use the insurance companies or a self-administered plan for all new people.

You have some of the officials from the annuities branch here today and I am quite willing to have anything I say confirmed. Now, I think that if you want to be in the annuities business you should include your expenses and I think you should not use 1·6 per cent—or whatever you have worked it out to be—because I think that is probably not high enough. There are so many things which should go in there which I do not think you have included. For example, depreciation on buildings, and all that type of thing. Suppose it is 3 per cent or it may be 5 per cent, I do not know, but I could point out to you that if it is as high as 5 per cent, and even if you load your rate for 5 per cent, if you take 5 cents out of every dollar you receive and use a realistic rate of interest and a realistic mortality basis, which I think you are using now, and you allow a person to get back 95 cents out of every dollar he has put in plus the rate of interest, then government annuities will sweep across this country.

But you have got to decide whether or not you want that to happen. I am not sure. I do not know whether or not it is a good thing. But I do think you should include your expenses in there and I do not think that would stop the sale of government annuities.

The CHAIRMAN: Will you please continue with your next point.

The WITNESS: I think that summarizes my feelings, Mr. Chairman. I think the government must decide, as one member said that it already had—whether or not it is going to remain in the annuity business. If it does not want to continue, it can leave government annuities as they are at present, and they will wither and die. I think they have already started to do that, although it is not apparent because the volume of income is still high, but most of that money is in respect to old contracts.

On the other hand if you want government annuities to be healthy, you must pass a bill similar to the one which is before you. As a citizen I do not like to see a bill give so much power, or place so much power in the hands of the minister and the minister's department. I feel that way about all functions of government, not only this; also I agree entirely with the insurance industry and with other critics, that the annuities should be self-supporting. And I do not think you would have anything to fear in making them self-supporting.

At the present time I can buy an annuity from an insurance company at a lower cost than from the government for certain ages. So it would appear that you would not be losing very much money at the present time.

Mr. KNOWLES: Both individual and group, or just one of those?

The WITNESS: Individual immediate annuities can be bought at a lower price from certain insurance companies at about age 65. At age 65 and over individual annuities can be bought at lower prices from certain insurance companies than they can be bought from the government.

Mr. GILLIS: What about the tax features?

The WITNESS: The tax features are exactly the same. There is no tax advantage in government annuities. There was up to 1941.

That is about all I have to say but I would like to make the point very clear that we have no financial interest and we do not consider it our business to suggest to the government whether it should be in the annuities business or not. As an individual I must say I am against the government being in the business, but I cannot speak in that way on behalf of my clients.

However, to the extent the government is in the business it should be in it properly, I think.

Mr. LENNARD: Might I ask the witness a question?

The CHAIRMAN: Yes, surely.

Mr. LENNARD: Is he prepared to name the clients on whose behalf he appears here today?

Mr. CROLL: We asked him.

The WITNESS: No, I am not prepared to do that.

The CHAIRMAN: Mr. Mercer made a request to appear here and we wired and told him that he could come at his own expense.

Mr. LENNARD: Well, my question was all right and if he does not care to answer it that is all right too.

By Mrs. Fairclough:

Q. Mr. Mercer has made some statements with regard to administrative costs and, rightly or wrongly, I have to take into consideration also, when I am viewing this picture, the transfers to maintain reserves—which are separate from administrative costs. In the year ending March 31st, 1931 the figure was approximately \$660,000. In addition to that sum, some transfers have been made every year, not always in the same amount but close to that amount for the past few years. There was, however, in 1938 a transfer of \$8,941,000, odd which, over an eight year period would mean an average of another \$1,100,000 per year. Then, from 1938 to 1949 it went along with yearly transfers. Some of them were small but in the year ending March 31st, 1949, the transfer to maintain reserves was \$11,408,000. which is an average of \$1,037,000 for those eleven years. Now, the insurance companies have no funds, as was said here the other day, from which they can draw to build up their reserves. Would you care to comment on the relationship between fund transfers to maintain reserves and straight administrative expense with regard to the cost of annuities?—A. Yes. I will make it perfectly clear that I do not question those reserves at all.

Q. I am not questioning the reserves.—A. The reserves are a result of guesses. We all understand that. That reserve is a book figure; no cheque is issued, and maybe it is not high enough—I do not know; and perhaps the actuary does not know—only the future will tell.

The large figure which you quoted is the actuary's estimate of the bargain that the people got who bought the old annuity contracts on the basis of 4 per cent interest and on the basis of the mortality table which was in existence, I think, up until 1931. I think it was changed in 1931 but I am subject to correction on that, and it was changed again in 1949.

Mr. KNOWLES: In 1948.

The WITNESS: It was a figure, not as the result of interest—I do not think that transfer to reserve has anything to do with interest, only mortality; and it simply means that back in the old days the actuary did not guess how long people were going to live as accurately as subsequent actuaries have.

By Mrs. Fairclough:

Q. How does the insurance company handle the same situation?—A. We are getting down to almost a philosophical discussion. The insurance company must put up money by law to meet its reserves. The government does not have to. Why? Because the government has the taxing power and the government cannot go broke.

If you will follow that argument through you might come to the conclusion that the government has made fantastic profits out of government annuities—because, even at 4 per cent interest the rate of inflation has gone on in excess of that figure, and money has become cheaper faster than the rate of interest has accumulated. The government does not, as insurance companies do, have to invest in bonds. The government invests in equities—that

is what it does, it invests in bridges, buildings, and so on. So, any rate of interest less than the rate of inflation is a good bargain for the government—but we better not get into a philosophical discussion like that.

What you want to ask is whether it is fair? I think probably it is an unfair thing that the government does not have to put up reserves whereas the insurance company does. It makes it difficult for the insurance industry, certainly.

Q. Do you think it has any bearing on the wide variance in administration costs?—A. I said that the best thinking today is that the mortality basis is amply conservative, and if that is the case then there will be no more transfers. If those transfers to reserves are proper figures, it is a result of past mistakes.

Q. I do not want you to think I am confusing actual administrative costs with the transfers to maintain reserves, but I just wonder whether one influences the other to any marked degree?—A. No, I think they are entirely separate.

The CHAIRMAN: Mr. Mercer, you said you had your actuary here to enlarge upon one point?

The WITNESS: I would like both Mr. Welsford and Mr. Coward to speak.

The CHAIRMAN: Which one would you like to call first?

The WITNESS: Mr. Coward.

Mr. COWARD: I will try to avoid repeating what has already been said and to keep it fairly brief.

We have already emphasized that we do not think we should make any remarks on the basis of the decision as to whether or not the government should issue annuities. Presumably that has been done by the will of the people and presumably, to my mind, they envisaged that annuities would be competitive and that they would really sell them—and not that the plan would be practically inoperative through having certain restrictions on it and such high rates as to be unattractive.

My own view is that the annuities have done a good service. They have proved attractive at times and there has been great expansion in fairly recent years, particularly in the group business. There is one point there which I think is important and it is that the original object of the Act was stated to be to encourage thrift and to enable savings to be made by, shall I say, poor people. I think that object has never been so well achieved as in recent years, because you have a limit on the amount of annuity now of \$1,200, as compared with \$5,000 at one time. So much of the money is now in respect of group pension plans which by their nature urged a very large number of people, and not the highly paid people, to save.

I would just, generally, like to say that I think the annuities have worked out favourably to the government and have done service to other people. I think the reason for this new Act is changed conditions, and the big changes, of course, are the increase in capital amounts and the interest rates. I am not going to argue very much about the profit factor up to 1931, but if that rate were—

The CHAIRMAN: Mr. Coward, would you speak a little louder, please, so members of the committee can hear you?

Mr. COWARD: And the reasons were that \$1,200 was considered a proper figure for a minimum annuity in 1931. But if that figure was correct then I think it is undoubtedly true that the maximum to date is twice, or more than twice that amount. Then, the second change which occurred is in the interest and mortality rates, and evidently the annuities branch wishes power to come in there as and when it is necessary. There have been three amendments in the last 15 years and I imagine you will have to have further amendments in

the future. And the third important change to my mind is that the whole group pension business has become so important. And now, what is required to make group pension schemes work is different than for individual businesses and I believe that some of the powers given by this bill are required in order to facilitate the operation of the scheme. I agree that there is a very strong case that annuities should not be subsidized. I think they should be based on realistic assumptions. As to what is realistic, it is very hard to say. The interest rate is probably the big question, and 4 per cent government funds may be a factor. The government of Alberta never took into account in their case anything over 3·5 per cent, and they do not today. In Britain the annuities are now on an effective rate of something like 4 per cent. In Britain the annuities are supposed to be loaded for expenses. I do not think the loading is very much, but it does remain a fact that British annuities today are a great deal cheaper than ones issued by the annuities branch here. My belief is that if you can decide a realistic cost basis the annuities will probably be cheaper than they are today, and I think that is a very important fact. Now, the corollary to the suggestion that there should be no subsidy in the annuity is that, if that is so, surely the government should be able to sell them with as few other restrictions as possible. I think that if the government do get into the annuity field they should run it on business-like lines which would make the fund work; and, to my mind, that means that, in theory at any rate, there should be no maximum and that they should be able to do anything that any other underwriter should do. That is going rather far perhaps, but it is a side to which consideration should be given—where there is no subsidy they should be free to get all the business which offers in the field. Now, I think that is all I have to say.

Mr. WELSFORD: There is just one comment I would like to add at this time for the committee's consideration. It would appear that possibly the major point at issue is still—

The CHAIRMAN: Mr. Welsford, would you be good enough to speak a little louder, please?

Mr. WELSFORD: It would appear that possibly the major point at issue in this bill is that dealing with cash value. There is no question that cash values are definitely more desirable if the government wishes further to encourage participation in its pension plan for both groups and individuals. There are, however, some quite serious objections from the life insurance industry. If the government rates are put on a realistic basis, as we have been talking about, there is no question that the government rate is substantially lower than that which the insurance companies can offer. I know that not only affects the annuity business the insurance companies have, but will have a quite serious effect upon the other divisions of their business; such as endowment policies, and so on; and will have a quite restrictive effect on the insurance industry as applied to the question of further increasing the percentage of participation of the underwriting business in this group insurance field, and further restrictions of the nature of their operations. That is all I have to say, Mr. Chairman.

By Mr. Knowles:

Q. Mr. Chairman, I have a few questions I would like to ask. I gather from what Mr. Mercer and his colleagues have said that at the present time they are independent people are not recommending to their clients the use of government annuities to underwrite pension plans. I believe they were doing that to a large extent between 1940 and 1948 but at the present time they are not doing it. May I ask—although I think I did put the question

before, but I can put it again—will the changes envisaged in this bill, provided there are no other changes, alter the government annuities situation to such an extent that you would reverse your policy of not recommending to your clients that they accept government annuities for their pension plans?—A. My only answer to that question would be that it depends entirely upon the orders in council which may follow the bill, if they do follow it.

Q. In other words, unless some changes are made in the combination of the interest rate and the mortality table, then the other administrative changes in this bill would not alter the picture to any extent?—A. This bill permits changes to be made which could make government annuities extremely attractive for underwriting pension plans, but it does not—

Q. These changes are—?—A. These changes are really the only important ones. There is the matter of cash values; whether these cash values are going to be allowed because of the reference made to interest, which at the present time would require an increase in the rate of 3 per cent—they are pretty near, almost 3.5 per cent now. As I see it, the effect of this bill is to restrict the administration in the matter of interest rate because it has been made similar to that of government bonds. I think the present mortality basis has been gone into thoroughly by the annuities branch from the standpoint of the government. I do not think anybody is questioning the mortality rate; but the terms under which cash is going to be given to employees, or to individuals, is not mentioned at all, and will not necessarily be done. And you may remember that even under the old group annuity rate that the interest rate was 4 per cent and the mortality rate was a better one for the purchaser than the one we have now. Even there, however, there was a case for not using Canadian government annuities in pension plans and many companies did not use them because it was exceedingly difficult if not impossible to operate a pension plan in which the security, the basic annuity pension, had no provision for cash termination. There are hundreds of people in this country who leave employment where there is a Canadian government annuity pension scheme in operation, leave their employer before reaching the age of 65, the retirement age, and they are disappointed when they find that the cash value of their participation cannot be determined and transferred to them; and it is no satisfaction to them at all to have a pension of let us say \$1.03 per week coming in. To answer your question again, in another way: I can't say that I would recommend government annuities as they were prior to April 1948 to people.

Q. Then, the effect of this bill is going to be that the extent to which your company will recommend the purchase of annuities to their clients will depend upon what orders in council are passed after the bill goes through?—A. Yes. I have to say that the bill itself achieves nothing, but it permits a good deal to be done. I should not say that it permits nothing, that is not quite right; I think it immediately raises the limit to \$2,400, and that is something. The other changes which may come are administrative, and their effect should be good.

Q. With regard to cash surrender values and the cash surrender privilege, Mr. Mercer, I gather from what you have been saying, particularly in the last few minutes, that this is of most importance in group plans where people transfer their employment from one job to another, that that is where the greatest amount of hard feelings develop?—A. That is where a great amount of hard feeling has developed. Whether a real hardship develops or not, I am not sure; but, certainly, participation in many of these large Canadian government pension plans has fallen below 50 per cent because the people are not coming into a plan. Most young people when they take a job usually don't think they are going to remain with that employer all their lives, and when

they do leave they want cash; and that, of course, is particularly so in the case with women. When they leave they want to take out what they have put in.

Q. This is a question perhaps to put to the minister or to one of the officials of the department later on rather than to put to you now: it might be desirable to know what the effect would be of any cash surrender privilege or transfer privilege, making it possible for an employee leaving one firm which has a group insurance plan to carry with him such pension rights as he has earned from his previous employment?—A. That represents no great problem as long as the rates did not change during the period. The only time that becomes important is if a man purchases a government annuity pension plan with one employer and the rate changed and he went to another employer, that employee probably would not be paid the same amount of benefit. But as I understand the bill that is provided for, is it not?

Mr. CÔTÉ: Yes, I think that is taken care of by the employer.

By Mr. Knowles:

Q. Now, Mr. Mercer, another question in a little different field. I think you challenge our thinking considerably in the comments you have made about the subsidy question. You have stated your personal view that there should not be any subsidy in this bill. For the moment I am not commenting on your personal view, but you have suggested that a realistic examination of the whole picture would show that there is no need for subsidy if we had the rate on a realistic basis, that the cost of government annuities would be cheaper. For the moment I am merely saying that is an interesting comment to have on the record and I think we should pursue it. It so happens that the witnesses we had here on Friday were very strong in their view that there was a limit to the subsidy there should be in the present plan. However, Mr. Anderson, who represented the Insurance Officers' Association here on Friday, speaking on this point—and while I haven't the printed record yet I think that in what I am saying I am being fair to his opinion—said he was against carrying this subsidy principle too far, but he did agree that it was a socially acceptable principle, that there might be a subsidy for annuities in the lower brackets. His point was that he did not think it should go as high as \$200 a month, but he did agree that on some lower figure it might be perfectly defensible for society to help its members who are prepared to do so to provide for their own old age. I wonder what you would think of a plan, if we happen to persuade the government to go in for it, whereby the interest rate was raised with respect to the first \$50 or \$100 a month? If the interest rate was higher on the first \$50 or \$100 a month than on the annuity one might purchase above that level?—A. Well, quite frankly, I do not think that you should subsidize annuities because I do not think you are going to reach poor people. Now, no matter if you use 7 per cent you still cannot get away from the fact that poor people cannot afford to buy annuities. I would not buy them myself at the present interest rate or at any rate like that. I think I can find a better place to put my money. The great demand for annuities is coming from employer group plans, and I think that is where they will continue to come from in the future.

Q. That is where these people are whom we are talking about.—A. Those people that you are speaking about are the employee groups, corporation employees. Corporations can afford to pay realistic rates for pensions for their employees. I do not think you are going to reach very many people if you try to sell the little annuity up to \$50 a month when you have a 4 per cent interest rate or 4.5 interest rate; that could not be considered a reasonable rate; and in connection with it you would also need to have a very reasonable

and realistic mortality rate. I do not think you will lose money when you stick to about 4 per cent, but you are getting into the field which you have just gone through with old age security.

Q. But, Mr. Mercer, would it not result in your recommending to your clients to write their group plans on the basis of government annuities for that class of people?—A. Yes. As consultants we are not interested in policy or political economy or anything else. We have to recommend to our clients, we have to show them what their costs are. I suppose some day we will run across a client who says that he will not deal under these circumstances—and, strangely enough, we do run into that kind of people—who seem to take what costs less; as long as it costs less, it does not matter who supplies it. You are quite right, if you do have that then we would have to point out to our clients the resulting costs, and I suppose that many of them would use that basis because it cost less.

Mr. COWARD: Mr. Chairman, may I speak to the question?

The CHAIRMAN: Certainly, Mr. Coward.

Mr. COWARD: You were talking about the suggestion that if annuities were on what you might call a self-sustaining basis they would be cheaper than they are at the present time. Now, I think the whole point there is, what is money worth to the government. Normally, anyone who sells annuities has in mind an annuity fund which earns a definite rate of interest, and a realistic rate is the real point by that test. Now, the government hasn't got it. We know that they are prepared to borrow money up to about, nearly 3.5 per cent, I think, on their bonds; but the value of money under the annuities is the thing which is going to determine; money must have some value to it. And just to clear up another point I think, as Mr. Welsford said, there is only one main issue, and that is whether there should be a cash value; that is the big novelty, the big new thing that is introduced by this bill. I believe the insurance industry has taken the view that since annuities are subsidized they should be strictly limited in their scope; that the insurance industry is quite willing for the annuity to be subsidized providing there is no maximum amount of annuity; and, provided there are no cash values and other little restrictions.

I think that completes that proposition. If annuities are placed on a theoretically realistic basis and include a proper loading for expenses, then there is no theoretical need for the maximum and for the cash values not to be allowed. That does seem to me to be a point. The reason for the restriction, as I understand it from the insurance companies arguments, is that the annuities are subsidized, and if that subsidy were not there, I think they would probably argue very differently.

Whether annuities should or should not be subsidized, or whether they should or should not be limited are questions to which I would not like to give a definite yes or no answer, but I do think that the two things are connected.

The CHAIRMAN: Are there any further questions you want to ask this witness, Mr. Coward? Mr. Knowles.

Mr. KNOWLES: Mr. Chairman, I think it came out in the discussion this morning as it did on other days that perhaps our main interest in this whole business is in group plans, and I think from that standpoint it has been valuable to have these witnesses here this morning because that is their business almost exclusively. There is no doubt in my mind that as time goes on it is the group certificates and the group plans that are going to be important rather than the individual contracts.

The figures which the department gave us in a table which was presented some days ago seem to show a rather alarming decrease in the number of group certificates issued for government annuities since the change of the rates.

The total number of group certificates issued in the year 1947 to 1948 was 26,708; and in the year 1948 to 1949, 29,869. But in the last two years the figures are of the order of 15,000 odd.

Now, can you tell us, Mr. Mercer, what has been the picture in connection with private companies? Has it held level? Has it increased to take advantage of this, or has the whole question of writing group plans suffered as a result of the less advantageous picture created by the government position?

The WITNESS: I would like to point out that these figures are probably not as significant as they would appear because, you see, the number of group certificates in the last two years has been about 15,000 a year. I think probably those certificates have been issued in respect to pension plans installed prior to April 19, 1948. It is my understanding that the number of new pension plans underwritten by the annuities branch is very low since April 19, 1948, and they have only been annuities from small employers. The large employers went into government annuities before, such as International Paper and most of the large paper companies and newspaper companies and so on. I do not think there has been any of those large plans installed since April 1948. At least, that is not apparent from these figures.

Mr. KNOWLES: So the picture is worse than these figures really indicate?

The WITNESS: Well, the number of new people covered by government annuity pension plans has fallen off much more markedly. I take it your question is: has the number of people covered by pension plans in Canada fallen? Obviously, the number of people covered by government annuity pension plans has fallen. Well, the insurance industry, I think, has underwritten a lot more pension plans since 1948 than they did before. I think that is the case.

We use the insurance industry because we think it is much better as a basis for underwriting pension plans than the government is today. And, please do not forget that there are pension plans in which we do not use any underwriter at all. It is not necessary to use an insurance company or the government to set up a pension plan because we set up a trust fund with government bonds yielding around $3\frac{1}{4}$ per cent. There are many others earning over 4 per cent interest, and at least $3\frac{1}{2}$ per cent. You are not going to be satisfied with a rate of interest of less than $3\frac{1}{2}$ per cent on pension plans. So there has been a great number of company pension plans written that way. I suppose there are somewhat fewer plans in toto today as compared with 1948, but I do not think it is markedly so. I think there are other ways of underwriting pension plans which are just as good as the way the government has provided.

Mr. KNOWLES: I think it would follow that if the government rates for group plans were better, then firms like yours would be placing more of them. Insurance companies would have to offer slightly better plans in order to compete, and the result would be that the whole picture would be better from the standpoint of enabling employees to provide for their retirement security.

The WITNESS: Oh yes, that is true particularly with respect to the smaller employees, and if cash values are allowed. But if you do not allow cash values, then nothing that you do can provide a very practical method of underwriting pension plans because an employee must be allowed to have his cash if he terminates the contract. Right now I would not recommend government annuities as they were prior to 1948 for pension plans.

Mr. BRYCE: Is that simply because there is not a cash-in value?

The WITNESS: Well, it has doubled. Since 1948 we have had a general increase in interest rates. So the differential between 3 and 3.4 per cent is

not as great; and secondly, I have had more experience and I have seen the tremendous dissatisfaction which results from employees not being able to get their money back.

Mr. KNOWLES: But if you had the pre-1948 rate, and cash surrender value for employees, there would be no question as to what you would recommend?

The WITNESS: There would be no question of what our clients would take.

The CHAIRMAN: Are there any other questions you want to ask this witness? If not, I want to thank you, Mr. Mercer, Mr. Coward, and Mr. Welsford for appearing today.

Now, we have with us the officials of the annuities branch. Are there any questions arising out of the last two meetings of the committee that you would like to put to the director of the annuities branch?

Mrs. FAIRCLOUGH: I wonder if the officials would make available to the members of this committee a schedule of rates showing the cost of annuities at different ages.

The CHAIRMAN: Can you furnish that, Mr. McCord?

Mr. McCORD: Yes, Mr. Chairman.

The CHAIRMAN: Is that satisfactory, Mrs. Fairclough?

Mrs. FAIRCLOUGH: At the next meeting.

Mr. BROWNE: How much would it cost to provide a benefit of \$100 a month, taking the annuity at 35 years, and applying it at 65 or 70?

Mr. McCORD: For \$100 a month, at age 30, to mature at age 65, ordinary life would cost, at the present time, \$18.96 per month; and if you want to have it guaranteed for 10 years, it would cost \$20.76.

The CHAIRMAN: Does that answer your question, Mr. Browne?

Mr. BROWNE: Yes, I think so.

The CHAIRMAN: The table will appear as an appendix to the report today, and is to be distributed to the members of the committee. Can you arrange for that, Mr. McCord?

Mr. McCORD: You mean this table, Mr. Chairman?

The CHAIRMAN: Yes, this table.

Mr. McCORD: Incidentally, Mr. Chairman, this table appears in the Hansard for November 15.

The CHAIRMAN: Who was speaking at that time?

Mr. McCORD: Mr. Côté was speaking.

Mr. KNOWLES: And there has been no change in those rates for comparable contracts from April 19, 1948.

Mrs. FAIRCLOUGH: That is given just as an example, Mr. McCord?

Mr. McCORD: Yes.

The CHAIRMAN: As of age 30 and 40.

Mr. McCORD: Yes.

The CHAIRMAN: Are there any other questions or any information you would like from the department?

Mr. KNOWLES: I wonder if Mr. McCord would like to offer any comment on the views expressed on Friday or today?

Mr. McCORD: One comment I would like to make, Mr. Chairman, concerns the criticism of so-called wide powers given to the minister. Actually, as far as the new bill is concerned, reference has been made that the minister may do this or that. I think it is all pretty well summed up in this regulations section where it says: "with the approval of the treasury board and the Governor in Council." I do not think that the minister's powers are extended under this any more than they are under the present Act.

The CHAIRMAN: Thank you, Mr. McCord. Now we have with us this morning, as I have already mentioned, a representation from the Canadian Fraternal Association headed by Mr. Hector Menard. He was with us on Friday and he is here again today. Is it the wish of the committee that Mr. Menard be heard, and that he present a brief from the Canadian Fraternal Association? The brief in question has already been distributed to the committee and it will appear in the record.

Mr. BROWNE: Does Mr. Menard want to be heard?

Mr. MENARD: I would like to say a very brief word with respect to our presentation, Mr. Chairman.

The CHAIRMAN: Then will you kindly come up to the table. Our time is running out. You say that you want to be very brief. We would appreciate it if we could hear you as quickly as possible. Mr. Menard, your brief has been distributed to the members and it will be placed in the record at this point.

THE CANADIAN FRATERNAL ASSOCIATION

To the Chairman and Members of the Standing Committee
on Industrial Relations of the House of Commons

Re: Submission Concerning Bill No. 23

to amend the Government Annuities Act

This submission is made by the officers of the Canadian Fraternal Association which is the only organization of fraternal benefit societies in Canada. It was established in 1891. Its member societies and its officers are listed at the end of this submission. More than 500,000 Canadians today enjoy life insurance protection provided by these societies.

Fraternal societies were among the first institutions to bring the benefits of life insurance and systematic savings to the people of Canada. The bulk of the mortuary certificates issued by them are on ordinary level premium plans which means that practically all of them contain some element of "savings". If Bill No. 23 is enacted into law without change it is believed that the future of fraternal insurance will be seriously jeopardized. No society can compete with the government as custodian of the peoples' savings when the government agency is subsidized by the taxpayers and offers all the cash value and other privileges that a society can offer. Many people will buy only term insurance and invest their "savings" in a government deferred annuity.

The part played by the fraternal societies in contributing to the stability of the Canadian economy is not a small one. Their assets in Canada aggregate more than \$175 million. During World War II, their revenue was invested largely in Victory Bonds and today such funds are being channelled into Canada's defense program and the essential needs of agriculture, industry and commerce. Thus the societies are not only serving the Canadian people by offering a medium for their individually small, but collectively substantial, savings but are also helping to control any unnecessary extension of credit in these trying days.

The fraternal societies are able to reach the "little man" in a way no other agency can duplicate. Through their lodge system and their special appeal to community and national interests, they have an avenue of approach to people which is not open even to the best agents of the life insurance companies. Life insurance is not bought "over the counter" very frequently; the lodge organizers and deputies seek people out in their homes and at lodge meetings. If people are to be encouraged to accept their personal responsibilities in providing for their dependents through the purchase of life insurance, they must first be persuaded to forego some temporary luxury or pleasure. Anything calculated to interfere with these important activities and unique methods of the fraternal societies is certainly not in the public interest.

The fraternal societies are in a different position to the life insurance companies. Most fraternal societies do not issue term insurance; their major purpose has always been to provide the wives and children of their members with life-time protection. "Once a member, always a member" is almost inherent in the constitution of any fraternal organization. If the Government Annuities Branch is empowered to sell all kinds of annuities with cash surrender and other privileges at less than cost, it follows that people will buy term insurance from the companies and annuities from the government. Fraternal benefit societies will not be able to survive under these conditions.

Fraternal societies traditionally offer life insurance plus fraternity. So doing has enabled them to grow and prosper notwithstanding the aggressive competition of more than fifty different Canadian, British and United States companies which are active in Canada. Heretofore the limited activities of the government in the annuities field have not concerned them. Few of them issue annuity contracts. However, if the government enlarges its activities in the annuity field in the way now forecast so that everybody who wants to save for his family if he dies and for his own old age if he lives knows that he can get a better "bargain" by buying term insurance from the companies and a deferred annuity from the government, the future of fraternal insurance is dark indeed.

Protection of the home is the keystone of fraternal insurance. Its appeal is to the best instincts of every man and woman. It emphasizes personal responsibility for the continued well being of the family, the widows and children, and the dependents if the breadwinner is taken. Having in mind that protection of the individual against the vicissitudes of old age is the principal appeal of annuities, we fear that if the government offers annuities of large amount and with cash value and other privileges at bargain rates, protection of the home will become a secondary consideration in the minds of many bargain-conscious Canadians.

The officers of fraternal societies offer no objection to the government continuing in the annuities field in its present limited way but they deplore the expansion now proposed. They believe the enactment of Bill No. 23 without change will seriously affect their future growth and, indeed, jeopardize their very existence. They have always been proud of their role in collecting small sums of money from millions and making it available to loved ones in time of need and believe that they are serving the public well. Accordingly they urge that the Bill be amended to limit the maximum annuity purchaseable to a small amount and, particularly, to delete the proposed authority to include the cash value privilege in government annuity contracts.

November 30, 1951

Office of the Secretary-Treasurer,
121-5 Hughson Street North,
Hamilton, Ontario.

LIST OF MEMBER SOCIETIES

THE CANADIAN FRATERNAL ASSOCIATION

Aid Association for Lutherans, Appleton, Wis.
Ancient Order of Foresters, Toronto, Ont.
La Société des Artisans, Montreal, P. Q.
La Société l'Assomption, Moncton, N. B.
Canadian Order of Foresters, Brandford, Ont.
Catholic Mutual Benefit Association of Canada, Montreal, P.Q.
Catholic Order of Foresters, Chicago, Ill.
Croatian Fraternal Union of America, Pittsburg, Penna.
Grand Orange Lodge of British America, Toronto, Ont.
Independant Order of Foresters, Toronto, Ont.
Knights of Columbus, New Haven, Conn.
The Maccabees, Detroit, Mich.
The Order of United Commercial Travelers of America, Columbus, Ohio.
The Reliable Life Insurance Society, Hamilton, Ont.
Royal Arcanum, Boston, Mass.
Royal Clan, Order of Scottish Clans, Boston, Mass.
Sons of England Benefit Society, Toronto, Ont.
Sons of Scotland Benevolent Association, Toronto, Ont.
L'Union St. Joseph du Canada, Ottawa, Ont.
L'Union St. Joseph de Drummondville, Drummondville, P. Q.
Woman's Benefit Association, Port Huron, Mich.

LIST OF OFFICERS

THE CANADIAN FRATERNAL ASSOCIATION

1951-52

President: Robert Bigelow, K.C., Independent Order of Foresters, Toronto, Ont.

Vice-President: W. J. Bourke, Canadian Order of Foresters, Brandford, Ontario.

Representatives on Executive: G. Messier, L'Union St. Joseph de Drummondville, Drummondville, P.Q.; Georges Constantin, La Société des Artisans, Montreal, P.Q.

Past President: Hector Ménard, L'Union St. Joseph du Canada, Ottawa, Ont.

Counsellor: R. Leighton Foster, K.C., Toronto, Ont.

Secretary-Treasurer: C. H. Fitch, The Reliable Life Insurance Society, Hamilton, Ont.

Assistant Secretary-Treasurer: Miss E. May Dillon, Grand Orange Lodge of British America, Toronto, Ont.

Mr. MENARD: Mr. Chairman, may I introduce the members of this delegation who accompany me today?

The CHAIRMAN: Yes.

Mr. MENARD: I have with me the following gentlemen: Dr. R. H. Parent, President of Union St. Joseph; Mr. George Constantin, Treasurer of La Société des Artisans; Mr. J. F. Surprenant, Vice-President, la Société des Artisans; and Mr. Arthur Desjardins, Director, Union St. Joseph.

You will have to speak French this morning. Allow me, Mr. Chairman, on behalf of the officers of the Canadian Fraternal Association to extend to you, and through you to the committee, our gratitude for giving us the opportunity to submit this brief. We have your assurance that such submission will be incorporated in the Minutes of Proceedings and for that we thank you.

The CHAIRMAN: That is right.

Mr. MENARD: Our brief is quite self-explanatory and it hardly needs any further amplification. But probably I should underline two of the main features. Friday morning and again this morning frequent references were made to the necessity of providing protection for the little man.

Well, we all know that the little man—those little men are mostly labourers, farmers, fishermen, and so on and that they also comprise a large part of the white-collar class. In a limited way annuities do provide some protection for the little man. I say: “in a limited way” because as it was suggested a few minutes ago, the little man is not in a financial position to purchase annuities to any great extent. We have been told that at the age of 35, the cost of an annuity of \$100 a month payable at the age of 65 would be around \$16.

The CHAIRMAN: I think that was the cost at the age of 30.

Mr. MENARD: You can hardly visualize a little man with a family being able to put aside \$18 to \$20 a month for an annuity. Therefore government annuities or annuities offered by companies hardly reach that little man.

On the other hand, while life insurance companies do provide some protection to the little man, it is only in a small way because these little men are scattered throughout rural districts, and in small villages where an underwriter operating on behalf of the companies will find his work unprofitable.

The underwriter cannot reach those little men who are scattered throughout the country. The underwriter hardly reaches those located in the villages. That is where the Fraternal Society comes in. That is where the lodge systems come in. They work gratuitously through their officers in all the communities where the little men are reached. So by that system, and through the officers, that work becomes profitable because it is not expensive to the fraternal society. Therefore the fraternal societies have a place and a very important place in Canadian community life, so much so that today we have nearly one half million little men, Canadians, holding certificates or policies with fraternal societies. That is one of the points made in the brief.

The next point is that the fraternal societies do not issue annuities. Why? A few of the fraternal societies hold federal charters which permit them to issue annuities, but the fraternal societies which we represent are mostly chartered in the provinces and they are not allowed by law to issue pure annuities. They may do so in a very limited way if such an annuity is combined with another class of ordinary life insurance; but, as a matter of fact, generally speaking, fraternal societies do not and cannot issue pure annuities.

On the other hand, fraternal societies hardly issue any term policies. As I mentioned before, the underwriting done by fraternal societies is done by the lodge officers. But they are not trained salesmen of life insurance. The fraternal societies offer the ordinary kind of life contracts, such as whole life,

limited payment life, and some endowments, but we do not go in extensively, or hardly at all for the complicated kinds of policies which have to be explained to the little man. Therefore fraternal societies do not issue any term policies.

Now, what would happen if government annuities are made so attractive that in order to find protection for his family the little man will take term insurance with the companies, (the cheapest kind of insurance). Term plans are not issued by fraternal societies. Family protection would not be taken with fraternal societies neither personal protection through annuities because we are not allowed to issue them. What would happen if annuities are made so attractive that the little man could take out an annuity with the government and find protection for his family with the companies that are offering term insurance? The fraternal societies would be left with nothing. That is our main argument this morning. We are asking that the annuities being offered by the government have no cash surrender value. Of course, there are two points of view on that. My own personal point of view is that of a government annuitant. I took out an annuity some 12 years ago and I took it because there was no cash surrender value. I wanted to go through with my contract at the age of 65. I am not far from that age now. But if there had been any cash value, I might have been inclined to cash in on the policy, and the result would be that my primary intention would have been defeated. That is the submission I make on behalf of the officers of the Canadian Fraternal Association and I know that my submission will receive your deepest consideration.

The CHAIRMAN: If there are no further questions to be submitted to Mr. Mercer or Mr. Menard, it being 11 o'clock I will ask the committee for a motion to meet this evening at 8 o'clock, from 8 o'clock to 10 o'clock. Would somebody care to make that motion?

Mrs. FAIRCLOUGH: What is it proposed to do then, Mr. Chairman?

The CHAIRMAN: Well, we have completed our agenda of those who have submitted briefs and requested to appear before this committee and we should this evening get down to a consideration of the evidence which has been submitted and give consideration to the bill, bill 23.

Mrs. FAIRCLOUGH: From my own standpoint I am quite prepared to sit, but I think there was some information which was to come from the department, from the departmental officers. Will those gentlemen be available tonight to give us the information; for instance, there was the matter of the annuity rate tables, and so on?

The CHAIRMAN: Yes, these gentlemen will be here to assist us. Mr. McCord has just said that they will give the clerk the table on rates for distribution to each member of the committee.

Mr. CÔTÉ: Will that be available to us before we sit tonight?

The CHAIRMAN: The clerk of the committee has arranged to have copies of the letter of The Canadian Chamber of Commerce prepared and distributed to members of the committee, I understand before noon today.

Mr. CÔTÉ: That is good.

Mr. KNOWLES: May I suggest that if the committee does meet tonight, Mr. Chairman, and that if another meeting is necessary, it should be at 9.30 o'clock Wednesday morning.

The CHAIRMAN: In view of the fact that the committee adopted the recommendation of the subcommittee on agenda and procedure that we should sit while the House is sitting I would adjourn this meeting until 8 o'clock p.m. tonight, and failing to conclude our deliberations at that time we would meet again at 9.30 o'clock a.m. on Wednesday morning next.

Mr. BRYCE: Mr. Chairman, may I ask you about this motion to sit while the House is in session? I object to that, although I am agreeable to going with

the majority. Is this going to be a steady arrangement—this sitting while the House is sitting—or is it being done this time merely as a matter of accommodation to meet some emergency?

The CHAIRMAN: I would say, Mr. Bryce, that this should be the only evening that we would sit.

Mr. BRYCE: That is fine.

The committee adjourned until 8 o'clock p.m.

The committee resumed at 8.00 o'clock p.m.

The CHAIRMAN: Gentlemen, we have a quorum. A night letter has been received from Montreal, addressed to the chairman, under date of December 2nd, which reads as follows:

This is to inform you as committee chairman that Canadian Catholic Confederation of Labour membership 90,000 in favour of bill number 23 to amend government Annuities Act.

I have also received communication addressed to the committee on industrial relations from a Mr. J. Van. Emery of Montreal. This letter is referred to the subcommittee on agenda and procedure.

Further, gentlemen, the annuity tables requested by Mrs. Fairclough have been distributed and it will be printed as an appendix to today's proceedings.

Appendix "A"—annuity tables, Department of Labour.

Mrs. FAIRCLOUGH: Do we each get a copy of it, Mr. Chairman?

The CHAIRMAN: Yes, Mrs. Fairclough, and it was distributed to all members of the committee this afternoon.

Now, gentlemen, as there have been no further requests for representations to the committee what is your pleasure?

Mr. CROLL: Might I suggest, Mr. Chairman, that we deal with the bill?

The CHAIRMAN: Moved by Mr. Crool, seconded by Mr. Knowles, that we proceed with a consideration of bill 23.

All those in favour?

Those opposed?

Carried.

The CHAIRMAN: Now, gentlemen, as that motion was carried what is your pleasure with respect to dealing with the bill? Shall we deal with it in camera or shall we have the record continued and the meeting open?

Mr. KNOWLES: I would prefer that we have both the reporters and the officials, although perhaps the officials are even more important than the reporters.

Mr. BROWN: On a draft bill you go into camera.

Mr. CROLL: We go into camera on our report.

The CHAIRMAN: I think the chair recognizes your feelings in the matter and we will continue with the record.

Mr. CARROLL: There is no question that it is a public meeting.

The CHAIRMAN: Then we are on clause 1;

Carried.

Clause 2:

Mr. KNOWLES: Now, Mr. Chairman, not too fast. Clause 2 has a new section—isn't it section 4 that comes first?

The CHAIRMAN: Clause 2, section 4, subsection (1).

Mr. KNOWLES: Isn't this the section that provides the new types of contracts that have been mentioned. In line 19 where we have the kind of contract we always have had.

2. Sections four, five, six and seven of the said Act, and section eight of the said Act as amended by section one of chapter thirty-three of the statutes of 1931, are repealed and the following substituted therefor:

Annuity contracts authorized

"4. (1) Subject to this Act and the regulations, the Minister may, on behalf of His Majesty, enter into a contract for the payment of an immediate or deferred annuity

- (a) to any person who is resident or domiciled in Canada at the time the contract is entered into,
 - (i) for the life of the annuitant,
 - (ii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period is the shorter,
 - (iii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period is the longer, or
 - (iv) for a term of years certain not exceeding twenty years;
- (b) to any two persons who are resident or domiciled in Canada at the time the contract is entered into, during their joint lives with continuation to the survivor for his life; or
- (c) to any person during his life and, upon his death, to another person for his life, if both persons are resident or domiciled in Canada at the time the contract is entered into;

and any contract entered into under this section may provide that before the annuity becomes due and payable, the terms of payment may be altered to provide for the payment of any other type of annuity mentioned in this section.

Combination of annuity types

(2) A contract entered into under paragraph (a) of subsection one may provide for the payment of a combination of two or more of the types of annuities described in that paragraph, and a contract entered into under paragraph (b) or (c) of subsection one may provide for the alteration of the amount of the annuity upon the death of one of the annuitants.

Mr. C. R. McCord, Director of the Annuities Branch, Department of Labour, called:

Mr. KNOWLES: The same is true, starting at line 20. But starting at line 23 we have a new type of contract for a term of year certain not exceeding 20 or for the life of the annuitant, whichever is the longest.

Mr. CÔTÉ: That is not new.

Mr. KNOWLES: I am sorry, it is the next one. The first three are old and the fourth one is the new one. There is nothing there to narrow the period in which that can be taken out, is there? It can be taken out from 20 to 40 or 60 to 80; it could, in other words, be taken out for some special purpose other than retirement—a person could take it out for the education of his children?

The WITNESS: Yes. It could be taken out for any period of time earlier than from 65 to 70, we will say.

Mrs. FAIRCLOUGH: And payable at any stipulated date.

The WITNESS: That is right, it is for a term of years, it is for a definite term of years that may be determined up to 20 years.

By Mr. Knowles:

Q. In other words, a person if he could afford it could buy one for a child that was payable during the years he was going to school.—A. Yes, he could do that.

Q. What was the purpose of introducing this type?—A. The purpose of introducing this type is not necessarily to apply it in the sense you have just mentioned, but to develop the type of annuity that reduces at age 70. You sell a term annuity, let us say, \$40 from 65 to 70, coupled with one or more of the other types of annuity mentioned in this section. That is your combination that makes up the annuity that reduces at age 70 by the amount of the old age security payment.

Q. In other words, this is a variation of that, in which case you could reduce it by that amount.

Mrs. FAIRCLOUGH: This is the only clause in this bill which allows for a variable amount. This is the clause which equalizes with the old age pension for a specific sum at the time of retirement?

The WITNESS: Subsection 2 of this same section of the bill is the one that really does it, but it is necessary to have this type of annuity described in part IV to accomplish this purpose. Section 2—when you get to it you will find that it describes that.

The CHAIRMAN: Clause 2, subsection 4(1) and subsection 4(2).

Mrs. FAIRCLOUGH: You are going too fast, Mr. Chairman.

By Mr. Knowles:

Q. Just a minute. We have agreed with everything down to and including line 27. May I ask in connection with the next paragraph there, subparagraph (b) a question or two. This, as it reads, is not new, is it? But is it not the case that at one time in addition to contracts on individuals guaranteed for a specific period, and in addition to last survivor contracts, you did issue a contract that was both last survivor and for a guaranteed period?—A. That is correct.

Q. How come that that does not appear in this bill? Was it dropped for any reason other than a ruling of the Department of Justice?—A. Well, that was the reason that it was dropped; it was because we did not have the legal authority to do it, although it had been done; but, secondly, it was considered that it was not necessary because the purpose of the annuity was to continue to the survivor, and it did continue to the survivor and ended with the death of the last annuitant and there was no need for that wording.

Q. In other words, you were protecting the spouse, shall I say, of the annuitant, rather than the heirs of the two of them?—A. That is right, it was being sold for their protection, and the persons who were named in the contract were the people who were being covered by it and not necessarily the heirs.

Q. Was the rate on that last survivor contract with a guaranteed period higher than other rates?—A. With the guarantee it would be higher, yes.

Q. You admitted that those contracts were written for a period of time and then dropped owing to a ruling by the Department of Justice. I take it that that type of contract written before that ruling is still valid.—A. Oh, yes.

By Mrs. Fairclough:

Q. In that respect, what happens to contracts which were taken out in the prior period and have this transfer to the last survivor provision, and which probably had been partially paid up? Can they at any time now be paid up?

That is to say, supposing a person took out a contract and paid for two or three years, as I think a great many people did, and that amount is still in the fund, it was left there. Can they at any time now pay up the premiums for the intervening time and have their contract carried on that basis?—A. That is right, they can, and it will be honoured. That will be a distinct advantage to anyone who has enough money to pay it. Suppose they had a \$5,000 one and only paid in for a year or two, at the present income tax rates they would have a nice thing there.

Mr. CROLL: They would not have had a \$5,000 one since 1931.

The WITNESS: The government will honour those contracts which had that option.

By Mr. Carroll:

Q. Is there any section in the contracts dealing with wives of the annuitant under contracts?—A. No.

Q. Under this, a husband and wife might, under (b), take out an annuity?—A. That is right, and they could under the old Act as well. The only difference in that section as compared with the old Act is that the old Act said "with or without continuation to the survivor", whereas under this section it is with the continuation. We have left the word "without" out. There is no demand for them having a joint annuity and yet not continuing to the survivor.

Mrs. FAIRCLOUGH: Are we still on clause (b), Mr. Chairman?

The CHAIRMAN: Yes, we are still on clause (b).

Mr. CROLL: Or (c) or (d).

By Mrs. Fairclough:

Q. On clause (c), under what condition will the last survivor be named? I suppose that could be a child or it could be anybody.—A. Oh, yes, it is named at the time of entering into the contract.

Q. And is the age of the final survivor taken into consideration?—A. It is taken into consideration at the time the contract is entered into, the age of both parties.

By Mr. Knowles:

Q. (c) is new?—A. That is right.

Q. Is there anything of great significance as to the difference between (c) and (b)?—A. Yes, this is a contingent annuity. This is for an annuity payable to a specified person during his life, it is not a joint annuity, upon his death payable to another person.

By Mr. Lennard:

Q. Have you any information as to those having annuity contracts living abroad?—A. I am afraid I have not got that with me.

Q. I do not want it—I was just wondering if there were any great number.—A. I do not know; we can check with our mailing list.

Q. I do not want to cause a lot of work for someone, but it is a question that might be of some significance.—A. I do not think there are very many.

Q. You do not know.—A. Not a large number, I am sure.

Q. We are subsidizing old age annuities, or annuities for people of Canada and we do not want them to be living in Mexico or the United States, or some place when they cash in.

Mr. BROWN (*Essex West*): They will still be receiving the money in Canada and could have it forwarded.

Mr. LENNARD: Yes, but there is always a question of them paying in enough.

By Mr. Brown (Essex West):

Q. How do you know if they are resident in Canada or not?—A. The only way is when we pay the annuity we send a cheque. Legally the cheque is payable in Ottawa.

By Mrs. Fairclough:

Q. The annuity must be sold to a person who is domiciled in Canada at the time the contract is entered into, but what happens under this clause (c) if the last annuitant, the surviving annuitant is living outside the country or has lived outside the country right along? Do both persons have to be resident in Canada at the time the contract is entered into? Can they come into Canada and take out residence and buy an annuity and then go to parts unknown?—A. We have no control of that although when selling an annuity we try to determine if it is their intention to live here. It is a pretty difficult thing to determine. For instance, a person could have all the intention in the world of staying here and next week change his mind and go somewhere else.

Q. There is no stipulation as to nationality?—A. No, you do not have to be a Canadian citizen.

Q. Any person can come into Canada and live here a couple of years because no one can say what a person's intentions are?

Mr. CROLL: The law does.

By Mrs. Fairclough:

Q. And they can enter into a contract and name an eventual surviving annuitant who may be living anywhere?—A. Well, it has been operating this way for years.

Q. Clause (c) is new?—A. Yes, but it arrives at the same purpose as a joint annuity except it gets away from the joint property idea. It is in effect an annuity payable to the survivor and the reason why this seems desirable I think is perhaps it is more easily handled because when you get involved with this joint property where you have the joint annuity oftentimes through change of circumstances, separation or divorce or some other reason, you have a problem with an annuity that is payable to two people.

Mr. KNOWLES: If your wife gets elected to parliament, for instance.

Mrs. FAIRCLOUGH: She is sure to be in Ottawa most of the time then.

The WITNESS: It is not a new idea, and this is just an addition so we can sell and write this type of contract.

By Mr. Carroll:

Q. Does the department make any distinction if people are asking for these contracts between a person domiciled in the country and a person resident in the country?—A. No.

Q. I think they should.

Mr. KNOWLES: Mr. Chairman, I do not share this concern about residence. Some of us have argued in the House in connection with old age security that once a person reached the age of 70 and is entitled to it, he should receive it even if he has for health reasons, for example, to go south. This is something that is paid for in Canada and I think after hearing Mr. Mercer's evidence this morning it is paid in full and then some.

Mrs. FAIRCLOUGH: It is merely an opinion.

Mr. CARROLL: I think the distinction between a person domiciled in the country and a person resident in the country is all the difference in the world. I may be a resident of the city of Ottawa for a year and my domicile may be

in New York. I may be the manager of a big firm, so I think there should be pretty strong evidence a person is domiciled in the country, and that he intends living here.

Mr. CROLL: I was going to ask if the evidence was correct this morning when the actuary who was here said that in Britain he could buy the same annuity cheaper than here.

Mr. CÔTÉ: That is what he said.

Mr. CROLL: Do you know whether he could?

The WITNESS: I do not know.

Mr. LENNARD: Did he mean it in that sense?

The WITNESS: I am told he could.

Mr. CROLL: Is there anybody who could tell us whether he could buy the same type of annuity in the United States cheaper than we are selling it?

The WITNESS: I don't think so.

Mr. CROLL: Does anybody in the department know? Could he buy a similar annuity in the United States?

Mr. FLETCHER: I doubt it because he would have to buy it from a commercial source.

Mr. LENNARD: Could anyone in your department tell us if you can go over to Britain and the next day take out a government annuity?

The WITNESS: I don't know that, but having done so I don't think you could take the money out of the country.

By Mrs. Fairclough:

Q. That brings to mind whether this whole clause is subject to the regulations of the Foreign Exchange Control Board?—A. Any moneys that go out of the country are subject to the Foreign Exchange Control Board.

Q. On a different basis?—A. No. they are on no different basis, the annuitant has to get clearance through the Foreign Exchange Control Board.

Q. I hate to think of my cheques helping subsidize someone living in southern France.—A. They have to be cleared by the Foreign Exchange Control Board.

Mr. LENNARD: I agree with Mr. Carroll that the person should be domiciled in Canada.

Mr. A. H. BROWN: May I deal with that subject?

The CHAIRMAN: Certainly, yes.

Mr. A. H. BROWN: Of course we have had this proposition of annuities payable to persons not domiciled in Canada.

Mr. BROWN (*Essex West*): Resident or domiciled?

Mr. A. H. BROWN: That provision has been in the Act for a great many years and in practice it has worked out very well and as far as we know has not been subject to abuse. You may have a Canadian who is working for a Canadian firm outside of Canada, or he may be working for the government outside of Canada. That person qualifies for an annuity because he still is domiciled in Canada. For instance you can come into an industrial shop in this country and come under a group insurance plan, and those persons may have come from the United States originally. No one can tell actually by applying the test of domicile, which as a rule is a matter of intention, whether they would qualify or not, and we can only deal with these people on a practical basis.

Mr. CARROLL: That is very true of group insurance. If a person sets himself up in a factory and the factory looks as if it is going to be in existence over a number of years then he is domiciled in this country.

Mr. BROWN (*Essex West*): Not necessarily. In any event, they are payable in Canadian funds in Canada.

Mr. A. H. BROWN: They are paid full value, which under the provisions of the bill are based on up-to-date mortality tables.

The CHAIRMAN: Then we come to paragraph 2 on page 2.

Mrs. FAIRCLOUGH: Do we have any tables to show us when the present annuity becomes payable at age 65 what the scale will be, taking into account the old age pension? What is the beginning annuity?

The CHAIRMAN: We have the table in Hansard at page 1074, November 15.

By Mrs. Fairclough:

Q. No, no. In order to give him a uniform amount I suppose you are going to start at \$1,480 at age 65 or whatever it is and continue with \$1,480 to age 70 and reduce it to \$1,000 then, is that the scheme?—A. Well, that would be one illustration of it. It could be any amount, and his annuity would be adjusted if he wanted, let us say, to take a \$1,200 annuity.

Q. That would be for a \$1,200 annuity, because that is the maximum. But all your annuities are not for that amount.—A. Under this reducing type of annuity the idea is that the person who buys an annuity which would do just as you have suggested, perhaps pay him \$1,480 and then \$1,000 thereafter at age 70, could start his \$1,480 whenever he liked, earlier than age 65 if he wishes; but it would reduce it at age 70 by \$480.

Q. But suppose he could only afford a \$600 annuity and he felt he would take a \$600 annuity believing that he could supplement his income until he reached the age of 70 and then continue to take his \$600 annuity plus his old age pension which would give him approximately the same amount per year. Does that still hold under this Act?—A. I am not quite sure that I understand your question, Mrs. Fairclough.

Q. Suppose he cannot afford to pay \$1,200, but can afford only \$600 and he buys a \$600 annuity payable to him at the age of 65. Now he buys that annuity on the assumption that between 65 and 70 he will be able to have some earning capacity; and at age 70 he becomes eligible for old age pension of \$480. Then he has a \$600 annuity from age 65 right through, plus \$480 from age 70 on.—A. We shall be coming to a section in a little while which will show that we propose that he can adjust that type of annuity so that he will get more than \$600 between 65 and 70.

Q. That is my point. He is not obliged to adjust it?—A. That is quite true.

Q. There is nothing in the section which obliges him to adjust if he does not wish to.—A. No.

Q. And even in the case of the \$1,200 he can take a straight \$1,200 annuity and continue to earn in addition until he becomes 70?—A. There is nothing in the Act which makes it obligatory upon him to adjust. He can have a straight or level annuity for life, or he can adjust it so that it becomes a reducing type.

Mr. BROWN (*Essex West*): Should he not get what he pays for it?

Mrs. FAIRCLOUGH: I understood that one of the main reasons for adjusting this Act was to have an annuity for a time which would be in excess of \$1,200, because you could not get it under the old Act. I understood that was the main reason for altering the Act.

Mr. CROLL: You mean raising it from \$1,200 to \$2,400?

Mrs. FAIRCLOUGH: Yes.

Hon. Mr. GREGG: It was just one of the points. There were others of an administrative nature, other features of the Act which had to be remedied and this was done at the same time.

Mrs. FAIRCLOUGH: But that was still one of the points; you could not pay more than \$1,200 at 65 and taper it off unless you altered this act first.

The CHAIRMAN: That is correct.

Mrs. FAIRCLOUGH: So that was one of the main reasons for altering the Act at this time. What then is the maximum amount that you think that any annuitant would need to be paid at any age in order to equalize his payments? Is the maximum amount of \$1,680? If not, what is the maximum amount which any annuitant would need to be paid at any age in order to equalize his payment for the term of his annuity?

The WITNESS: Perhaps Mr. Fletcher might answer your question, Mrs. Fairclough.

The CHAIRMAN: Mr. Fletcher?

Mr. FLETCHER: Mrs. Fairclough and gentlemen, we are assuming that somebody has bought and paid for an annuity of level amount, let us say, \$1,200 which is the maximum amount under the old Act, and he reaches the age of 65 for example and he says to us: "I am going to get \$480 when I am 70. Can you re-arrange my \$1,200 so that I will get a little more up to the age of 70 and less afterwards, the net result being that I will have a level income for life."

Now, what he gets at age 65 would be a re-distribution of this order: we would pay him approximately \$1,500 for five years. That takes him to age 70. In other words, he would get an extra \$300 for five years. But then, as far as his annuity is concerned, he must give us \$480 which brings him down so that he will be getting \$1,020. His annuity would pay him \$1,020 and then he would pick up his old age pension and he would be back again to \$1,500 gross income.

Now, the question was raised: what is the maximum annuity which might result from that type of redistribution? The maximum would rise; if a man had an annuity maturing at age 69, he would have only one year to go. And offhand it would be close to \$480. He would get an extra \$480 for one year. No, wait a minute, I should have said \$440, approximately \$440 was the return. So, in return for getting \$440 for one year from age 69 to age 70, he would be giving up \$40 a year from age 70 on.

If you want to balance these two things mathematically you will see they are equal. Suppose you go down to the other extreme. Somebody about the age of 55 has a maturing annuity and wants to redistribute. He would get about \$100 if he is going to draw the extra for 15 years. Does that answer your question. Mrs. Fairclough?

Mrs. FAIRCLOUGH: Yes, that answers it pretty well. At no time could he go much over \$1,500, except that he might go for a year or so to \$1,600.

Mr. FLETCHER: Yes.

Mrs. FAIRCLOUGH: The basis of the question was to determine to what extent would the maximum have to be raised in order to take care of existing annuities of \$1,200 and provide for redistribution of income under the old age pension. And the answer given is \$1,640.

Mr. CÔTÉ: If you will look at the new section 8, subsection 3, there is a definite provision that would not necessarily oblige us to increase the maximum total annuity.

Mrs. FAIRCLOUGH: But that is not quite the point, Mr. Côté.

Mr. FLETCHER: May I add a word, Mr. Chairman?

The CHAIRMAN: Of course.

Mr. FLETCHER: This problem of the man who has bought and paid for a \$1,200 annuity gave us quite a bit of concern when we were faced with the old age pension and the almost certain demand that in many cases annuities

be redistributed. Without any reference to the proposed limit of \$2,400, we drafted a provision in the Act to the effect that where a man has the maximum level annuity and wishes to have it redistributed, we can break the \$1,200 limit to the extent of paying him the actuarial equivalent. That is not set out in dollars and cents but, as I mentioned, it would give you a range of about \$440 extra, down to \$100.

Mrs. FAIRCLOUGH: You can do that without regard to any alteration in the maximum?

Mr. FLETCHER: Yes, we could have had that clause in without any reference to changing the over-all limit to \$2,400.

Mr. KNOWLES: Because, actuarially, you were not paying more than \$1,200?

Mr. FLETCHER: No, we would be giving him the same value—just spreading it in a little different order.

Mr. CÔTÉ: You are referring to new Section 8?

The CHAIRMAN: Does Clause 2, subsection 4 carry?

Carried.

Clause 2, subsection 5.

"5. (1) Subject to this Act and the regulations, the Minister may, on behalf of His Majesty, enter into a contract

(a) with any person for the payment to employees of an employer of annuities of any type mentioned in section four as pensions or as retiremeent or superannuation allowances, and

(b) with any society or association of persons incorporated for fraternal, benevolent or religious purposes for the sale to the members thereof of annuities of any type mentioned in section four.

(2) No employee and no member of a corporation is eligible to be included for benefit under a contract entered into under subsection one unless he is resident or domiciled in Canada at the time he is so included.

(3) Notwithstanding section ten, a person who has entered into a contract under paragraph (a) of subsection one may, with the consent of the Minister, assign, in whole or in part, his rights under the contract.

By Mr. Knowles:

Q. This is the employee section in the main, is it not? I take it every possible contract that is available for individuals is available for persons who are in groups?—A. That is right.

Q. I suppose that depends to some extent on the firms setting up the group contract being willing to write all of these different types?—A. It depends on the plan, of course—the plan that the employer and employee have.

Q. And you will make available these different types so that each employee in a group plan can have his own particular annuity on the basis which he feels is best suited to his needs?—A. Well, they have certain options as a rule. Most plans are basic. For example, in so far as the plan is concerned, it might provide for an annuity that is guaranteed five years. That might be the basic plan. However, the employee is usually given an option that he might select a slightly different plan, perhaps ten years, and take a lesser annuity—because the ten year guarantee is more costly than the five. He is usually given that option, but as far as the types of annuity are concerned they are the same types as may be purchased by individuals.

The CHAIRMAN: Shall Clause 2 subsection 5 carry?

Mrs. FAIRCLOUGH: What was that?

The CHAIRMAN: Clause 2, subsection 5 on page 2?

Mrs. FAIRCLOUGH: The whole section? No, I want to speak on subclause 3.

By Mrs. Fairclough:

Q. What manner of assignment is intended in this? Any sort of assignment at all?—A. Section 10 of the present Act prohibits assignment of any kind. What we are trying to accomplish here is to overcome administrative difficulties which we have experienced in the operation of group contracts. This envisages changes in management. For example, a company sells out and the new owner wants to carry on the obligation of the pension scheme, and so forth. He is carrying on the employees, and this is so the contract may be taken over by the new owner, and so the old owner may assign it to him.

Q. What about the employee who changes his employment?—A. It permits the employer also to assign his rights. When the employee terminates his employment he receives an individual contract for whatever he is entitled to of his own premiums, plus any employer contributions which may vest in him at that time. It gives the employer the right to assign to that employee his rights under the contract.

Q. But the employer has no control over the employee's assignment?—A. No.

Q. Well—but go ahead, you were not finished?—A. It enables the employer to assign his rights to the employee.

Q. Well then, what rights does the employee have in so far as transferring his annuity contract to another employer?—A. He has not any; he gets a paid-up contract when he leaves one employer and he goes to another.

Q. But when he goes to the new employer he is several years older and he has to get it at an advanced rate?

Mr. CROLL: They may have a different plan altogether and he may not fit into it.

The WITNESS: They may have a different plan altogether and that is where the whole trouble is.

By Mrs. Fairclough:

Q. What provision is there for an employee taking his present contract or continuing at the rate that he has been paying provided that he is willing to assume the whole payment himself?—A. I do not think there is anything to prohibit that in this bill.

Q. To prohibit it?—A. I think it is the intention that when the employer assigns his rights to the employee, then the employee has a contract which he may continue.

Q. He may continue?—A. Yes.

Q. The employee only has a right to his own investment in that contract?—A. That is right.

Q. Most of these contracts I believe are on a fifty-fifty basis?

Mr. BROWN (*Essex West*): From your experience what is the average contribution of the employer and employee respectively?

The WITNESS: Well, for the current service I think you would find they are about equal—and then there is the question of past service that the employer pays.

By Mrs. Fairclough:

Q. Now, for whatever portion or whatever percentage that the employee has an equity of his own contributions in that contract—if it is one-half, one-third, or whatever it may be—if he has a \$1,200 contract and has paid into it ten years, and he has had a 50 per cent equity in that contract, is there any provision by which he can convert his equity into a \$600 contract and continue his payments? So that he will, at his retirement age, or the date upon which he will receive the benefits, receive payments based on \$600—provided that he

keeps up the payments in the meantime?—A. Well, in these assignments of rights, if the employer steps out of the picture completely and turns it over to the employee, then that employee is in the same position as an individual, and he would be able to alter the provisions of the contract under this provision for amendment which we are coming to.

Q. But the option is still with the employer to say whether or not he will assign the whole rights to the employee?

Mr. A. H. BROWN: Yes, I think so.

The WITNESS: Yes.

Mrs. FAIRCLOUGH: So he might say the employee could take his share of this contract but as far as the contributions put into the fund by the employer are concerned he is not prepared to assign them?

Mr. A. H. BROWN: May I answer the question?

The CHAIRMAN: Yes.

Mr. A. H. BROWN: These things are governed by the terms of the group contract. The group contract lays down the period and conditions under which the employer contributions vests in the employee. An employee may have to remain in the employ of the employer for a period of 10 years or 15 years before the employer's portion of that contribution vests, and if the employee leaves before this takes place all that he is entitled to receive is the amount of his own contribution, which he takes away with him as the amount payable to him at the maturity date.

Mrs. FAIRCLOUGH: I have a letter here somewhere, I can't put my hands on it at the moment. It deals with a well known educational institution in which an employee put in 100 per cent of the contribution yet the institution made no effort at the conclusion of his employment to honour the contract, notwithstanding the fact that he had paid in 100 per cent his own contributions.

Mr. A. H. BROWN: That is not accurate, as far as I know, in government annuity contracts.

Mrs. FAIRCLOUGH: If I find this letter I will turn it over to you.

Mr. CROLL: He should have read that fine print in the contract.

Mrs. FAIRCLOUGH: Yes, he should have.

Mr. LENNARD: This final contract would not apply to the employee of a foreign branch of a Canadian corporation, would it?

The WITNESS: No.

Mr. GILLIS: Assuming that I am employed by General Motors under one of your group plans and I have been employed there for 7 years then I find myself in a position that I have to take a transfer to Ford's plant at Windsor, or some other point—

Mr. CROLL: That is not a transfer, that is a resignation.

Mr. GILLIS: No, it is a case where I am interchangeable on account of the type of work involved. Let us say I was there for 7 years under a contract with General Motors and the government annuity group plan is in effect, when I change to the new employer I find myself going into a group scheme that is under one of the insurance companies; where do I fit in for my contributions which I have paid for over 7 years into General Motors? Can I transfer that contract from one employer to the other? What happens to my contribution over the 7 years I was with General Motors?

Mr. BROWN: You get a paid up contract for the amount that you have contributed.

Mr. GILLIS: I take that as an individual?

Mr. BROWN: That is right.

Mrs. FAIRCLOUGH: It may be only \$10 a month, and then, later on, you might get another \$10 a month from what you have paid in to the other company.

Mr. CROLL: I think it should be pointed out if it has already not been pointed out that these contracts while being the same in principle vary in vital details. You would hardly say that any two of them are alike. As I remember these contracts each one of them contained something different. I think it is fair to say that. Isn't that true?

The WITNESS: That is correct, sir.

Mrs. FAIRCLOUGH: At all times though you have an equity in that contract, an equity worth a certain amount of money—

The WITNESS: That is right.

Mr. CROLL: There should be a way of transferring that fund to a new employer and of having an opportunity of purchasing in the annuity scheme of the new employer an amount equal to the amount which had accrued under the old contract.

Mr. A. H. BROWN: And you would develop your group insurance to a point where it covers all employment in industry.

Mrs. FAIRCLOUGH: I do not mean, particularly as Mr. Gillis said, that you should go from a government annuity to a private contribution scheme.

Mr. GILLIS: They are not the same.

Mrs. FAIRCLOUGH: They are not the same, definitely. A person is not tied to one job for the rest of his life regardless of personal advantage in years to come, but if you have been on the job with one company for 15 years and another company comes along and offers you twice as much money, you can't very well say to them: I can't afford to make the change because I have such an investment in my annuity.

Mr. CROLL: Mrs. Fairclough has a point there which I think we need to look at again. I am becoming really interested in it. Mr. Brown, you just made a very pertinent remark. You suggested the idea that in similar industries we ought to consider having a similar contract. For instance, what Mr. Gillis says may have a large element of reality to it. A man in the automobile industry who works in Ford's, General Motors, or any other of these automobile plants may find himself in the same work in Oshawa at one time, and perhaps in St. Catharines at another time and Windsor at another time, or in some other place. It seems to me it would be a great advantage, a very great advantage, if you had similar contracts throughout the industry. The conditions would almost be the same, wouldn't they?

Mr. BROWN: The conditions of employment in the industry, yes, would be very much the same; but, after all, we cannot dictate plans.

Mr. CROLL: I agree.

Mr. A. H. BROWN: It depends on agreement between employer and the employee.

By Mr. Croll:

Q. The principle is the same whether it is General Motors or the Ford Motor Company—the general principle involved is the same. There are a few more trimmings perhaps in one than in the other obtained through the effect of bargaining, little points which are not really very important in the long run but meant something at that time. It would seem to me that if they came to the government annuities branch it would be in their interest and in the interest of all of us to see that they got pretty well the same form of contract in a particular industry. Now, there are similar industries, the packing

industry, for instance, or some of the other industries. It does seem to me important that there should be similarity of contract in such industrial groups; or, at least, similarity of contracts, shall we say, in the automobile industry. —A. If we had those in the automobile industry as a whole?

Q. As a start, I mean the large ones.—A. Yes.

Q. I mean, without going into it in detail, it would vary?—A. I think it would vary considerably. In one particular plan I have in mind there is a considerable difference as to the period of vesting, for example, and you will find another one that perhaps has a more generous vesting. There are differences of that kind which are all important in so far as the employees are concerned.

Mr. KNOWLES: Would it not be possible for an employee leaving one firm to withdraw and take with him not just cash but the annuity value that he has earned to date in that contract and have that annuity value translated into the appropriate annuity value in the firm to which he goes. Their conditions would be different and so the same amount if vested would produce slightly different results, but at least it would enable him to carry on.

The WITNESS: You get into this situation: the employer that he is leaving has, for reasons of his own, say, graduated the vesting privilege, that is he will say "if you stay 10 years you will get a certain percentage of the employer contributions, and if you stay 15 years you will get a certain greater percentage of employer contributions". He does that, I presume, because he figures he is rewarding an employee for long service by giving him more of the company's contribution. Now, it all depends when that man leaves his employment how much of the employer contribution he is going to get.

By Mr. Croll:

Q. Do you not see what is going to happen? The more of these plans we put into effect, the more we immobilize labour.—A. I think there is one thing that has been done over the years, it is getting the vesting period reduced to a normal or a reasonable limit, where now, I know, under our contracts it is 100 per cent vesting at 20 years, but that is a long time, quite true.

Q. Oh, yes.—A. But in some contracts there is no vesting at all till maturity, till he has been there 35 years or whatever the maximum is.

Q. In recent contracts?—A. Not in any of ours. 20 years is the maximum in ours. But there are contracts that have no vesting whatsoever till maturity.

Q. We are going to have this problem arise more often.

By Mrs. Fairclough:

Q. What happens to their contributions, then?—A. They get their own contributions back, but I am thinking of the employer contributions.

Q. They get them back? Just as an example, take a young man who at age 20 starts to pay for a \$100 annuity per month at age 65. He pays \$12.18 a month. Now he works with that company till he is 35, at which time he has quite a considerable investment regardless of whether he has paid 50 per cent or whatever he paid. He still has an investment and he has something over an investment in cash, he has the advantage that he has gained by having purchased this contract, whether on his own volition or because he is a member of a group scheme; he has the advantage that he has gained by reason of having acquired that contract at that low age of 20 years; and when he comes to 35 years of age he leaves that company—and there may be different reasons for that, he may have been laid off, anything might have happened—then, in order for him to start over again he now has to pay \$23.74 a month. True enough, you may turn to him and say "your contract is now terminated, we will return to you the contributions which you have made plus a certain amount of interest", but he is going to get back \$12.18 a month and in order to re-invest

it he has to pay double because he has advanced in years in the intervening time, so, through no fault of his own, he is penalized.—A. I do not know that it would be possible in any sort of a scheme for him to carry all the advantages with him of his younger years, after he is ten years older, and he is changing employment. That is one of the things I do not know, how we in the annuity business could control that. I think it would have to be a question of mutual arrangement as between employers. Supposing all the employers had government annuities, would you ever reach that desirable point where all plans were the same and all employers were ready and willing to take in an employee who had formerly worked for somebody else and say, "You can come in here where you left off with your other employer, regardless of what it may cost me as an employer, but you come ahead and we will carry you." I do not know,—no matter how ingenious we might be in trying to fix up something that might work out on paper, I am very much afraid we would never reach that.

Mr. KNOWLES: That is the way unemployment insurance works.

Mrs. FAIRCLOUGH: I know in certain lines of business there is a high mortality rate in employment, they turn over their staff very quickly, and even after a few years they are likely to have the whole plant shut down and those men dispersed to various parts of the country in order to seek employment—even during this past year the minister was talking of sending men from Ontario to Vancouver to secure employment. Through no fault of their own, they might have to do that. But if that is the case and there is no hope at all of the workman ultimately getting back anything more than his contributions, and though, as has been stated, the primary object of the Annuities Act in the first place was to encourage thrift and so on, and help people provide for their own old age, then I would come right back to what the gentleman from Vancouver said this morning, to consider whether the government should not step out of this scheme—is it really worth it?

Mr. GILLIS: No, I do not think the government should step out of it.

Mr. CROLL: 190,000-odd people think it is worthwhile.

Mr. GILLIS: I believe the government were the ones who pioneered this field and this government Act has been the yardstick whereby the other companies have measured just what they are going to do, or where they will go, and I think if the government is going to stay in the field of group insurance—I think they should stay in—then I think this problem we are considering now should be considered by the government. I believe you should have written into your group plans the proviso that a man would either be able to get it in cash or have a certificate issued from the employer that he is employed with, if he is forced to change his employment, and that certificate could be deposited with the new employer. Now, I believe, if the government laid down that kind of principle that it would not be very long before you found the insurance companies outside adopting the same kind of principle. I am convinced if it was not for government annuities and the government pioneering this whole field, there would not be such a thing as pension plans. I firmly believe we have to retain this as a yardstick for the guidance of those who are outside, separate and apart from government annuities, and I believe now it is a rather simple thing to do while we have high employment. It is not fair for a man to go into a defence plant, for example, work for five or six years and get that low rate on the assumption that he is providing something for his old age, and then find the defence plant folding up and he being obliged to go out and seek employment elsewhere. I think you could work out a scheme that the pensioner could convert it into cash or get a certificate to be deposited with some similar group if and when he finds employment. I believe that it is our job as pioneers in this field to lay down some basic laws for others to follow.

Mrs. FAIRCLOUGH: Or it could even be carried on under personal contributions at the same rate.

The WITNESS: I wonder if I might ask Mr. Fletcher to reply. I think he has been doing some thinking about these rates and has something to say about them.

Mr. FLETCHER: I think a little confusion crept into this discussion at some point. An employee who is covered by an industrial pension plan administered by the annuities branch who quits his job or gets fired takes with him a certificate saying that he is entitled to so much paid up pension according to the terms of the pension plan, and he puts that in his pocket or files it with his papers around the house and even if it gets lost or destroyed it doesn't matter. Even though he has changed his employment there is to his credit in the annuities branch an annuity paid for him up to that point, which will consist at least of the entire value of his contribution and it may include some or all of the value of the employer's contribution, depending on the terms of the contract. At the present time we do not offer him cash, we say you cannot have your cash, you must take a paid-up pension which will be there for you when you are aged 65. Now, perhaps I lost the thread of the discussion, but there seems to be the feeling that this man who quits his job was handed back his cash and told, "So sorry, you have lost your pension, you will have to start over," but that is not so.

Mrs. FAIRCLOUGH: But that is not the point.

Mr. FLETCHER: He goes to another company and he is now age 35, but the extra cost does not fall on the employee, the extra cost due to his increase in age falls on the employer because in the majority of pension plans a definite amount of pension is to be provided. For example it may be 2 per cent of your income for a year and that is the pension you would get and say for illustration your contribution as an employee is 5 per cent. Now, in the first instance this man started out at age 30 and it cost 9 per cent of his pay to buy his pension. He contributes 5 per cent and the employer contributes 4 per cent, making a total of 9 per cent. After five years he quits and gets into another pension scheme but he is aged 35 and it costs 10 per cent of his pay to buy his pension. He still contributes 5 per cent, his employer makes up the other 5 per cent, and so as far as the employee is concerned it makes no difference to him. He is still contributing 5 per cent of his salary and he is going to get a pension according to schedule. There is this feature too, the new employer who takes him on at a little higher rate of course takes him on for five years less. I was just going to say, parenthetically, it is that situation which sometimes creates resistance among employers to the hiring of people aged 45 and over.

Q. Now, take a man who has taken his paid-up certificate, even supposing he started at age 20 and paid in for ten years and gets a paid-up certificate, and has paid in an amount which would have given him \$100, approximately what amount would he have in ten years' time?

Mr. FLETCHER: Starting at age 20.

Mrs. FAIRCLOUGH: Starting at 20 and he pays until he is 30.

Mr. FLETCHER: Say \$144 a year as a round figure; then \$1 per year for ten years would be worth 11·6.

Mrs. FAIRCLOUGH: That would be \$1240 he would have?

Mr. FLETCHER: He would have \$1,500.

Mrs. FAIRCLOUGH: As a paid-up annuity?

Mr. FLETCHER: On his annuity. He has, say, \$1,500 credit at age 30, then he would have something over \$300 paid for.

Mrs. FAIRCLOUGH: When he takes up new employment he cannot take out \$1,200, he can only take out \$900?

Mr. FLETCHER: Yes, that is right.

Mrs. FAIRCLOUGH: But the \$900 would be at an increased rate according to his advanced years?

Mr. BROWN (*Essex West*): How do you mean he could only take out \$900?

Mrs. FAIRCLOUGH: Because he has already got \$300.

Mr. MCWILLIAM: He has already got \$300; that is under the old system, Mr. Brown.

Mrs. FAIRCLOUGH: He goes into the new company at a higher rate and I think Mr. McCord said there is no set rule as to the proportion the employee pays and the proportion the employer pays. Mr. Fletcher I think said in the first instance it was 5 and 4 and in the second instance it was 5 and 5, but there is no guarantee that it may not be 7 and 2, or the employee or employer may pay 100 per cent.

Mr. FLETCHER: It would come out the same because in point of fact, in the majority of plans each pension earned is a little block of business. The employee is contributing a level amount. Suppose he never gets a raise in pay, nevertheless each year he grows one year older and in effect that year his little piece of pension is to be paid for at a rate for one year older. It costs the employer a trifle more, and to the employee it doesn't make much difference. You mentioned before this employee started at age 30 and left at age 35, but perhaps he was replaced by another man who is 35 and to the employer there is no change in cost. Your first employee may have gone to another company and may be replacing somebody there who quit at age 35. It isn't often a man starts out at his date of employment and he and his employer start contributing jointly a predetermined premium which will produce \$1,200 pension except perhaps under a very exceptional plan.

Mrs. FAIRCLOUGH: But that is the basis on which your charge is drawn up.

Mr. FLETCHER: You have to have a basis of estimating costs and computing the year-by-year premiums required.

Mr. KNOWLES: May I get into this for a moment? Let us take two men, A and B, both starting at age 30 and working until they are 65. A works for the same firm the whole thirty-five years but at varying rates of pay, therefore with varying amounts of contribution into the annuity fund. B works for three different firms, all of whom have annuity contracts, so he is paying something into all of them for thirty-five years. When they reach 65, I take it in each case the annuity they receive will be computed on the basis of the amounts paid in and the amounts these sums have earned by way of interest.

Mr. FLETCHER: Yes.

Mr. KNOWLES: Does a man, let us say, who worked in three different firms suffer any disadvantage as compared with man A?

Mr. FLETCHER: He may or he may not. The point is: if he has moved around, he changes his employment twice. If he has not stayed with each employer long enough to have vested in him 100 per cent of employer contribution, then he has lost a little pension each time he changed his employer. That is the penalty which he pays for changing his job. But take this illustration: he is in a fairly generous pension scheme which says that after 10 years' service, supposing he quits, he gets everything paid by the employer. In that instance, supposing he has been in his employment for 10 years each time before he moved, then every time he moves he takes 100 per cent of the money with him and employee B ends up in the same place as employee A.

Mr. KNOWLES: And the important thing in the interest of the employee is having the employers contribution vested at as early a date as possible.

Mr. FLETCHER: Yes, that is the crux of the situation.

Mr. KNOWLES: Mr. McCord said that the maximum period for vesting a pension plan was 20 years, did he not? Could Mr. McCord give us an example of how short a period it could be in some cases?

The WITNESS: I think some of them are vested immediately.

Mr. KNOWLES: I recall that this matter was discussed to some extent last year in our old age security committee and it was suggested there, I believe, by Dr. Davidson and perhaps by others, that at some stage of the game we might have to look at the question of encouraging the vesting of employer plans. There is, of course, one way by which the government can encourage them and that is through the medium of the Income Tax Department.

Mr. CROLL: We do it now.

Mr. KNOWLES: Yes, it is done now.

Mr. FLETCHER: The Income Tax Department requires a definite vesting of the contract in order to qualify for an exemption. It is done now.

Mr. CROLL: I presume that all of the contracts would take advantage of the income tax exemption, would they not?

The WITNESS: Yes.

Mr. KNOWLES: But in order to get it, they have to vest?

The WITNESS: That is right.

Mr. CROLL: At what point do you get into minimum vesting?

The WITNESS: There is no particular moment of vesting; they vest within a certain limit of time. There is no such thing as no vesting at all.

Mr. CROLL: The point Mr. Knowles made which arose in the old age security committee was, if I recall it correctly, that because of the income tax exemption, and because of some other alleged subsidies in the annuities we are selling, that we might make it a condition that if they take advantage of the exemption, they must vest.

The WITNESS: I think the thing is that 20 years, for example, is vested.

Mr. CROLL: No, vest immediately.

The WITNESS: I suppose it could be that way.

Mr. A. H. BROWN: There are very few contracts you could sell on a minimum vesting basis at the present time. The movement is in that direction, but the number of contracts you could sell for minimum vesting would be few in number. It would add, of course, to the cost of the contract.

Mr. KNOWLES: What is the minimum period within which quite a number of contracts are vested? Would it be two or three years?

The WITNESS: I would think it would be more than that. I would think it would be something around, let us say, 20 years. The average would be perhaps about 10 years. I think that would be a fair average.

Mr. CROLL: Mr. Chairman, we have got away from the bill.

The CHAIRMAN: Does section 5, clause 2 carry?

Carried.

Does section 6 of clause 2 carry?

Carried.

Does section 7 of clause 2 carry?

Mrs. FAIRCLOUGH: Just a minute, Mr. Chairman. We turned a page and we have still got paragraphs 4 and 5 which we did not consider at all.

Mr. CROLL: No. We were talking about the whole group.

The CHAIRMAN: Yes, we were talking about 3 and 4 together.

Mrs. FAIRCLOUGH: That is right.

The CHAIRMAN: Does section 6 clause 2 carry?

Carried.

Does section 7 of clause 2 carry?

Interest rates and mortality tables

7. (1) All contracts shall be based on interest rates and mortality tables prescribed by regulation and on calculations made in relation thereto, in the manner so prescribed.

Form of contracts

(2) No contract for the payment of an annuity may be entered into on behalf of His Majesty under this Act unless the contract is in a form approved by regulation or entry into the contract has been approved by the Treasury Board.

Mr. KNOWLES: With respect to section 7 there is a question I would like to ask, Mr. Chairman. It grows out of a suggestion I threw out this morning to the effect that consideration might be given to paying higher rates of interest for the first \$100 of an annuity than is paid for the second \$100; or if the principle were accepted, the cut-off might be decided at some other figure.

I would like to know whether section 7 as worded makes it necessary for one interest rate to be prescribed, or whether it would be possible to prescribe two different interest rates in the manner I suggest, if it were found to be desirable and feasible?

Mr. A. H. BROWN: I think the clause as it is worded is broad, but at the same time I must say, Mr. Knowles, we have never considered the question of two interest rates on one contract. The clause as it reads, however, is broadly worded.

Mr. CROLL: Mr. Knowles threw out that suggestion this morning and we are throwing it out tonight.

Mr. KNOWLES: No, just a minute. You might be surprised to know that one of the witnesses here on a former occasion, with whom I discussed the matter, said there was something to it; indeed he agreed with me in principle. I am glad to know that it is possible and hope it will be considered.

The CHAIRMAN: Does section 7 carry?

Carried.

Does section 8 of clause 2 carry?

Limitations as to amount

8. (1) No contract for the payment of an annuity on the life of a person other than the actual annuitant or for an amount of less than sixty dollars a year shall be entered into under this Act and,

- (a) in the case of a contract entered into after the coming into force of this subsection, if an annuity of an amount less than sixty dollars a year would be payable, or
- (b) in the case of a contract entered into before the coming into force of this subsection, if an annuity of an amount less than the minimum permitted under this Act at the time the contract was made would be payable,

the contract is void and the amount of the purchase price shall be refunded in accordance with regulations.

(2) The total amount that may be paid by way of annuity or annuities to any annuitant, either alone or jointly with another annuitant or both, under this Act, shall not, except where payment is made pursuant to section twelve, exceed twenty-four hundred dollars a year, but, except as provided by regulation, the total amount of the annuity or annuities that may be so paid to an annuitant under any contract or contracts entered into before the coming into force of this subsection, shall not exceed the maximum amount that might have been paid under this Act under that contract or those contracts before the commencement of this subsection.

(3) A contract entered into under subsection two of section four that is a combination of types of annuities mentioned in paragraph (a) of that section and provides for a change in the amount of the annuity at a specified time may provide for payment, during the period in which the annuity is at its maximum, of an amount greater than the maximum amount that would otherwise be permitted by subsection two of this section if the annuity payable under the contract does not exceed the actuarial equivalent, of a constant annuity for the maximum amount so permitted in respect of the annuitant, having the same date of commencement and the same term certain, if any, as the annuity payable under the contract.

Refund

(4) Where the total amount of annuity or annuities that would be payable to an annuitant under contracts exceeds the total amount authorized under subsection two, only the total amount mentioned in subsection two is payable, and the amount of any excess purchase price paid therefor shall be refunded in accordance with regulations.

Maximum age

(5) Any contract providing for an annuity to commence at any greater age than eighty-five years shall, as to purchase price, be subject to the same terms as if the age were exactly eighty-five years.

By Mrs. Fairclough:

Q. With regard to section 8 I wonder about this \$60 a year. I think the other day when we asked the question someone said that there were a number of contracts of less than \$300. Do we know how many contracts there are of \$60 or less? Maybe you will permit me to go on before you answer. What occurred to me is that with a \$60 a year annuity, \$5 a month is scarcely enough to make anyone independent or even help him very much. So I wonder if it is worth the administration costs to handle them. Is \$60 a proper amount for a minimum?—A. The purpose of this \$60 is not that we ever contemplated writing a contract for \$60; but the idea is that in some cases a person may embark on an annuity with the idea of buying an annuity for several hundred dollars and then perhaps for reasons known only to himself he will stop paying and nothing happens. So when that thing comes up for maturity, the money has been resting there and it is found that the money will buy less than, let us say, \$60 at maturity. So, rather than to pay him \$5 a month or less, we would give him back all he had put in. And the same applies to \$10, except that we felt that with a \$10 minimum it did not take too much money in the early years to buy \$12 worth of annuity. For example, we would have to send that person a cheque for \$1 a month for the rest of his life.

Mrs. FAIRCLOUGH: My question is: Is this \$60 not too small an amount?

Mr. KNOWLES: It has been ten.

The WITNESS: It is hard to know.

Mrs. FAIRCLOUGH: You might have quite an administrative problem there. You have to write cheques, to make entries, and so on and so forth.

Mr. CROLL: They love it.

By Mrs. Fairclough:

Q. The department does, you mean.—A. It was a question I guess of where to draw the line on the thing—whether it should be \$60 or \$120.

Q. How many would you have?—A. Again I cannot tell you just how many we have. Every so often there are quite a few that come up at maturity where they have not paid very much.

Q. I can understand that no one would subscribe for that much and these are accidental cases?—A. That is right.

Q. When you said you had 21,000 for \$300 or less, what is the minimum for which anyone would subscribe? What would be the smallest amount they would actually subscribe for in all seriousness?—A. Well, we have had people subscribe for \$10 a month—\$120; and they see it through. They perhaps want to supplement some other income that they may have.

Q. Would you say that was a minimum?—A. I cannot think of anyone who would buy less, and I cannot recall having seen a contract for any less.

Q. Have you ever given consideration to the possibility of making that minimum contract the minimum that you would carry?

Mr. A. H. BROWN: Well, we have arrived at \$60, Mrs. Fairclough, as a sort of minimum figure. Anything below that had a nuisance value and it had no value to the annuitant. \$5 a month may conceivably, to a number of people, be a sufficient annuity. They may want to draw an annuity having purchased it for that amount. It may have some value at \$5 a month for those people. We do not think an annuity below \$5 a month has any significant value to anybody.

Mrs. FAIRCLOUGH: Well what made you think \$5 had? What I am trying to arrive at is whether you have any specific reasoning by which you arrived at this amount, or is it just an amount that you pulled out of the air? Is there a point at which it becomes worthwhile from an administrative standpoint to carry that annuity? Or is it simply a case where someone said: "it used to be \$10 a month so let us make it \$60"—and that was the end of it. Or, have you arrived at it by a process of some specific reasoning?

Mr. A. H. BROWN: We carried it down to a minimum of \$60 but the committee may feel it should be \$100. We felt that \$60 was the right amount.

Mr. CÔTÉ: For no particular reason?

Mr. CROLL: There are people who have subscribed for \$60.

Mrs. FAIRCLOUGH: Oh no.

Mr. A. H. BROWN: There are people who would like to draw that. Having paid for an annuity of \$5 a month, they would like to carry it through and draw that amount of money.

Mr. KNOWLES: They had hoped to have more but this is all they have got to draw.

Mr. BROWN: Yes.

Mr. KNOWLES: And now with the means test eliminated from the old age pension they might find \$40 inadequate—and they certainly will—and they would welcome another \$10 or even \$5.

Mrs. FAIRCLOUGH: You have no contracts actually entered into for \$60 a year.

The CHAIRMAN: Shall subclause 1 of Section 8 carry?

Some Hon. MEMBERS: Carried.

Mrs. FAIRCLOUGH: I reserve the right to debate that further, Mr. Chairman. I might say that on all of these I would think that simply because we are skimming over them it does not mean that we have approved of them entirely?

Mr. CROLL: Well they are approved when they are passed. Once we have passed them the only way you can change them is on the floor of the House.

Mrs. FAIRCLOUGH: True enough, but it does not mean that any member of this committee is tied to the approval of any clause.

Mr. CROLL: No, no, you can move amendments on the floor of the House. There is great opportunity there.

Mr. KNOWLES: No one is ever tied to anything here.

The CHAIRMAN: Shall subclause 2 of Section 8 carry?

Subclause 3, of Section 8?

Mrs. FAIRCLOUGH: Just a minute, with respect to subclause (2)—

Mr. BROWN (*Essex West*): \$2,400 is a maximum which a person may get or may benefit. At say 35 years would you tell me how much a person would have to pay per month for that annuity?

Mrs. FAIRCLOUGH: \$47.48.

Mr. A. H. BROWN: Payable when? 65?

Mr. BROWN (*Essex West*): Payable at 65 and at 70?

The WITNESS: I have not got any rates for \$2,400 but it is presumably twice what \$100 per month would be. I have not the age 35 rate before me but I can give the figure at age 30. It would cost \$41.52 cents per month for \$200 a month at age 65 if started at age 30. Incidentally, that is guaranteed ten years and it is slightly less than that figure if on ordinary life basis.

Mrs. FAIRCLOUGH: Would it not be just twice what this table shows?

The WITNESS: That is right. I have it here. For \$200 a month at age 40 it would be \$62.88 per month.

The CHAIRMAN: Shall subclause 2 of Section 8 carry?

Mrs. FAIRCLOUGH: Mr. Chairman, I am not at all satisfied. This is just one of the things that has come up in discussion and I do not really feel we have had any substantiation for this \$2,400 amount, any more than we have had for the \$60. We have sat here for a few days now considering this thing but I feel these amounts have been more or less drawn out of the air. Mr. McCord, or Mr. Fletcher, said earlier this evening that the maximum that would be required to pay would be something like \$1,600 and even that is not contingent on this clause—it is taken care of in another clause in the Act. Now I wonder why it is necessary to raise this amount from \$1,200 to \$2,400? I can credit your reasoning that it takes \$2,400 today to give you the same amount you had with \$1,200 in 1931, nevertheless, out of 47,000 contracts we have only got 5,422 which are at \$1,200 and we have only 150, counting the old contracts, which are over \$1,200. If, out of 47,000, there are only 5,000 who can afford to buy \$1,200 contracts what is the reasoning which prompts the rise from \$1,200 to \$2,400?

The CHAIRMAN: I think you have explained that very well yourself, Mrs. Fairclough.

Mrs. FAIRCLOUGH: Then you mean you are willing to leave it at \$1,200? Take an ordinary workman, could he—

Mr. LENNARD: He could not afford to pay that premium.

Mrs. FAIRCLOUGH: Could he afford to pay it?

The CHAIRMAN: Mrs. Fairclough, Mr. Brown is going to explain that.

Mr. A. H. BROWN: If the maximum of \$1,200 had been increased to \$2,400 at an earlier date you would have a larger number of purchasers who had shown their willingness to purchase an annuity of more than \$100 a month. That is

one point. The second point is that we have had a great many representations in respect of group contracts for increases in the maximum. Some of these group plans have had to be implemented. They purchase part of the annuity under a contract within our Act and they have to go to an insurance company or establish a separate trust fund to complete the group plan. And then there is the point that you raised, the minimum of \$1,200, the present maximum of \$1,200 since 1931, and the purchasing power that exists in the new limit of \$2,400, and which is possibly the equivalent. Those are the two factors in the representations that we had in the department and they indicated that our adequate increase would be a maximum of \$2,400; or, that was the most prominent figure that was mentioned as a matter of fact, in the representations in the department.

Mrs. FAIRCLOUGH: The primary purpose of this Act is to permit those in low income groups to purchase annuities to provide for themselves in their old age. I maintain that no one in a low income group can afford to purchase that much of an annuity, so, naturally, you are getting into the high income group when you make annuities available in excess of this \$1,200. Now, back in 1945, I think it was, when the Ives commission report came down the report disclosed that 87 per cent of the recipients of that time, received less than \$900—75 per cent received less than \$600. That means that the percentage has increased to the present time until you now have 69·4 per cent at \$600 or less. As a matter of fact, 24,200 contracts are for \$600 or less out of a total of 47,000 contracts.

Mr. A. H. BROWN: Some of those are still being taken.

Mrs. FAIRCLOUGH: Opening it up that way permits people who can afford to provide for their old age an opportunity to buy cheap annuities.

Mr. CÔTÉ: These are group contracts mostly and they cover, naturally, the low income group.

Mrs. FAIRCLOUGH: That is exactly what I was talking about; but a large majority of them are in a low income group; and I have received this long list of those who have group contracts. I see in here several municipalities, for instance, and I know for a fact that municipalities are interested, yet they have not been heard here as to what they require for their pension schemes.

Mr. CROLL: How do you figure that? I think they fit very well into their pension schemes.

Mrs. FAIRCLOUGH: In the one Mr. Brown mentioned here a few minutes ago where the individual buys in excess of \$1,200 they have had to make provision for financing the portion in excess of the \$1,200.

Mr. CROLL: All the municipalities would be in favour of carrying the \$2,400 annuity.

Mrs. FAIRCLOUGH: Yes, but they can't buy \$2,400. That is just the point I have been trying to make; just what their feelings are, what their requirements are. We have nothing on that.

Mr. CROLL: From my experience in municipalities I would say that \$2,400 would be ample, for the top officials.

Mrs. FAIRCLOUGH: Yes, I think it would be ample; as a matter of fact, perhaps \$1,500 would be ample.

Mr. CROLL: Well, \$2,400 would be more likely to be agreeable than \$1,500. In the case of senior employees, after many years of service, speaking of the top men, that would be sufficient.

Mrs. FAIRCLOUGH: Well, that is all supposition.

Mr. CROLL: One does not need to suppose, they would be more than happy about that amount.

Mr. KNOWLES: Mr. Chairman, may I state that I have in my hand a copy of bill 343, which I have been reading. It was brought down on June 17th, 1948, but was not proceeded with at that session. I notice that one of the provisions of that bill was to raise the maximum to \$1,500 that year. I wonder if Mr. Brown or Mr. McCord would care to comment on the representations they may have had or the figures they may have got on the cost of living index; why they picked on \$1,500 that year and why they picked on \$2,400 now? For once I am asking a question for information only.

Mr. CROLL: It is not loaded.

Mr. BROWN (Annuities Branch): We were not very happy about \$1,500 maximum at that time, but since then we have actually received a great many representations in the department for increases in the maximum annuity and the amounts that have been requested have ranged from \$2,000 to \$2,400. For example, we had a representation from the Canadian Co-operative Wheat Producers early this year, representing 200,000 members, asking us at that time to consider an increase up to \$2,000. As I say, we have had the experience of being told by people putting these group pension plans into effect that the \$100 maximum was not adequate to finance these plans. I do not know whether we can go any further than that.

The CHAIRMAN: Does that answer your question, Mr. Knowles?

Mr. KNOWLES: Yes.

Mr. CROLL: I think that in these group insurance plans, the employer is trying to cover everybody in the plant, the general manager and as many people as he possibly can, and, consequently, he wants it for as high an amount as he can possibly get it. If we are going to sell any of these plans to large employers we have got to raise the permissible amount: It may not affect the lower income groups; it does help them in that they get an overall plan. I think it is in the general interest to raise it to \$2,400.

Mrs. FAIRCLOUGH: We still have no idea as to how many. You say representations have been made to the department. What is one of your large group plans? I do not mean you to tell me the name of the company, but how many certificates would there be in a large group?

Mr. A. H. BROWN: One company involves 9,000.

By Mrs. Fairclough:

Q. Well, of the 9,000, how many out of that would want an annuity in excess of \$1,200, have you any idea?—A. Any employee with over thirty years' service and earning \$2,000 or upwards would require more than \$1,200 to cover his pension.

Q. Any employee with thirty years' service and earning more than \$3,000?

The WITNESS: With thirty years' service and earning \$2,000 would require more than \$1,200 to meet his pension.

Mrs. FAIRCLOUGH: How does that scale down? I suppose there is a point at which it scales down; how many years of service would it require for \$2,500 earnings, because in a large company today almost anybody who had been there any time at all would be marking \$2,000?

The CHAIRMAN: Mr. Davidson, would you care to answer that question?

Mr. DAVIDSON: Mr. Chairman and members of the committee, Mrs. Fairclough, in answer to your question on a salary of \$2,500 under that particular plan an employee with twenty-four years' service would get \$2,400 benefit. They receive 2 per cent for each year's service, so for thirty-five years it would be 70 per cent, and after thirty years' service would receive a maximum of \$2,400.

Mrs. FAIRCLOUGH: At \$4,000 and with thirty years' service what you said would be \$2,000?

Mr. DAVIDSON: \$2,000 for thirty years' service would be \$2,400.

The CHAIRMAN: Subsection 2 of section 8?

Carried.

Mrs. FAIRCLOUGH: I think it is going to take some digesting.

The CHAIRMAN: Subsection 3 of section 8?

Carried.

Subsection 4 of section 8?

By Mrs. Fairclough:

Q. This it not strictly applicable to subsection 4, but to the whole section. This is with regard to the comment which was made some time ago, and that is I believe under section 8 this matter of allowing for the old age pension was taken care of. If the individual does have a \$2,400 annuity, this Act still permits him to receive an additional \$480. I understand it does not interfere with it and you can adjust the payments to give him more than \$2,400 in the beginning years of his annuity.—A. That is right, subsection 3 makes that provision. There is a maximum, but that may be exceeded so long as it does not exceed the actuarial equivalent.

Q. I am getting all balled up myself. He could receive \$2,600, \$2,700 or \$2,800?—A. That is right.

The CHAIRMAN: Subsection 4 of section 8?

Carried.

Mrs. FAIRCLOUGH: Don't rush me, I am having trouble with this.

The CHAIRMAN: Subsection 5 of section 8?

Carried.

Mr. KNOWLES: Before we adjourn may I suggest that some people may be following these proceedings with interest and may be confused by our frequent reference to the bill without having it before them. Could we have a copy of the bill and possibly an office consolidation of the Act as it now stands included as an appendix to today's proceedings?

The CHAIRMAN: Yes. We will adjourn until Wednesday morning at 9.30 o'clock.

The committee adjourned.

APPENDIX A
CANADIAN GOVERNMENT ANNUITIES
DEFERRED LIFE ANNUITIES—PAYABLE MONTHLY

In the event of death before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs.

MALES										
Annual Premium for Annuity of \$100 at:					Age Last Birthday	Quarterly Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
18.09	13.31	9.67	6.93	4.86	5	4.57	3.36	2.44	1.75	1.23
18.83	13.83	10.04	7.18	5.03	6	4.76	3.50	2.54	1.82	1.27
19.62	14.38	10.42	7.44	5.21	7	4.96	3.64	2.63	1.88	1.32
20.44	14.95	10.81	7.71	5.39	8	5.17	3.78	2.73	1.95	1.36
21.32	15.56	11.23	8.00	5.59	9	5.39	3.93	2.84	2.02	1.41
22.24	16.19	11.67	8.30	5.79	10	5.62	4.09	2.95	2.10	1.46
23.21	16.86	12.13	8.61	6.00	11	5.87	4.26	3.07	2.18	1.52
24.25	17.56	12.61	8.94	6.22	12	6.13	4.44	3.19	2.26	1.57
25.34	18.30	13.11	9.28	6.45	13	6.41	4.63	3.31	2.35	1.63
26.50	19.08	13.64	9.64	6.69	14	6.70	4.82	3.45	2.44	1.69
27.73	19.91	14.19	10.01	6.94	15	7.01	5.03	3.59	2.53	1.75
29.05	20.78	14.78	10.40	7.20	16	7.34	5.25	3.74	2.63	1.82
30.45	21.71	15.40	10.82	7.47	17	7.70	5.49	3.89	2.74	1.89
31.94	22.69	16.05	11.25	7.76	18	8.07	5.74	4.06	2.84	1.96
33.54	23.72	16.73	11.70	8.06	19	8.48	6.00	4.23	2.96	2.04
35.25	24.83	17.45	12.18	8.37	20	8.91	6.28	4.41	3.08	2.12
37.08	26.00	18.22	12.68	8.70	21	9.37	6.57	4.61	3.21	2.20
39.06	27.26	19.03	13.21	9.04	22	9.87	6.89	4.81	3.34	2.29
41.19	28.59	19.89	13.77	9.40	23	10.41	7.23	5.03	3.48	2.38
43.50	30.02	20.80	14.36	9.78	24	11.00	7.59	5.26	3.63	2.47
45.99	31.55	21.77	14.98	10.18	25	11.63	7.98	5.50	3.79	2.57
48.71	33.20	22.80	15.63	10.60	26	12.31	8.39	5.76	3.95	2.68
51.67	34.97	23.90	16.33	11.05	27	13.06	8.84	6.04	4.13	2.79
54.91	36.87	25.07	17.06	11.51	28	13.88	9.32	6.34	4.31	2.91
58.48	38.94	26.32	17.85	12.00	29	14.78	9.84	6.65	4.51	3.03
62.41	41.17	27.66	18.68	12.52	30	15.78	10.41	6.99	4.72	3.17
66.76	43.61	29.11	19.56	13.07	31	16.88	11.02	7.36	4.94	3.30
71.62	46.26	30.66	20.50	13.65	32	18.11	11.69	7.75	5.18	3.45
77.06	49.16	32.33	21.51	14.27	33	19.48	12.43	8.17	5.44	3.61
83.19	52.35	34.14	22.58	14.92	34	21.03	13.23	8.63	5.71	3.77
90.16	55.87	36.10	23.74	15.62	35	22.79	14.12	9.13	6.00	3.95
98.14	59.77	38.23	24.97	16.36	36	24.81	15.11	9.66	6.31	4.14
107.37	64.11	40.55	26.30	17.14	37	27.14	16.21	10.25	6.65	4.33
118.16	68.98	43.10	27.74	17.98	38	29.87	17.44	10.90	7.01	4.55
130.93	74.47	45.90	29.29	18.88	39	33.10	18.83	11.60	7.40	4.77
146.28	80.71	48.98	30.97	19.85	40	36.98	20.40	12.38	7.83	5.02
165.06	87.86	52.40	32.80	20.88	41	41.73	22.21	13.25	8.29	5.28
188.58	96.12	56.21	34.80	21.99	42	47.67	24.30	14.21	8.80	5.56
218.85	105.78	60.48	36.98	23.19	43	55.33	26.74	15.29	9.35	5.86
259.24	117.21	65.29	39.38	24.49	44	65.54	29.63	16.51	9.96	6.19
315.85	130.95	70.76	42.02	25.90	45	79.85	33.10	17.89	10.62	6.55
400.82	147.77	77.03	44.96	27.43	46	101.33	37.36	19.47	11.37	6.93
542.53	168.82	84.27	48.23	29.09	47	137.15	42.68	21.30	12.19	7.35
826.06	195.91	92.74	51.89	30.92	48	208.83	49.53	23.44	13.12	7.82
1,676.89	232.08	102.76	56.02	32.93	49	423.92	58.67	25.98	14.16	8.32
.....	282.75	114.81	60.71	35.14	50	.....	71.48	29.02	15.35	8.88
.....	358.82	129.55	66.09	37.59	51	.....	90.71	32.75	16.71	9.50
.....	485.67	148.01	72.30	40.32	52	.....	122.78	37.42	18.28	10.19
.....	739.49	171.76	79.57	43.39	53	.....	186.94	43.42	20.12	10.97
.....	1,501.17	203.47	88.17	46.84	54	.....	379.50	51.44	22.29	11.84
.....	.....	247.90	98.50	50.77	55	.....	.....	62.67	24.90	12.83
.....	.....	314.59	111.15	55.26	56	.....	.....	79.53	28.10	13.97
.....	.....	425.80	126.99	60.46	57	.....	.....	107.64	32.10	15.28
.....	.....	648.33	147.37	66.53	58	.....	.....	163.90	37.26	16.82
.....	.....	1,316.12	174.58	73.72	59	.....	.....	332.72	44.13	18.64
.....	.....	.....	212.69	82.36	60	.....	.....	.....	53.77	20.82
.....	.....	.....	269.91	92.94	61	.....	.....	.....	68.23	23.50
.....	.....	.....	365.34	106.18	62	.....	.....	.....	92.36	26.84
.....	.....	.....	556.27	123.22	63	.....	.....	.....	140.63	31.15
.....	.....	.....	1,129.22	145.97	64	.....	.....	.....	285.47	36.90
.....	.....	.....	.....	177.84	65	.....	.....	.....	.....	44.96
.....	.....	.....	.....	225.68	66	.....	.....	.....	.....	57.05
.....	.....	.....	.....	305.47	67	.....	.....	.....	.....	77.22
.....	.....	.....	.....	465.11	68	.....	.....	.....	.....	117.58
.....	.....	.....	.....	944.17	69	.....	.....	.....	.....	238.69

CANADIAN GOVERNMENT ANNUITIES

DEFERRED LIFE ANNUITIES—PAYABLE MONTHLY

In the event of death before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs.

MALES

Monthly Premium for Annuity of \$100 at:					Age Last Birthday	Single Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
1.53	1.12	.82	.59	.41	5	456.74	352.70	266.74	197.42	142.39
1.59	1.17	.85	.61	.42	6	470.44	363.28	274.74	203.34	146.66
1.66	1.21	.88	.63	.44	7	484.55	374.18	282.98	209.44	151.06
1.73	1.26	.91	.65	.46	8	499.09	385.40	291.47	215.72	155.59
1.80	1.31	.95	.68	.47	9	514.06	396.97	300.22	222.19	160.26
1.88	1.37	.99	.70	.49	10	529.48	408.87	309.22	228.86	165.07
1.96	1.42	1.02	.73	.51	11	545.37	421.14	318.50	235.73	170.02
2.05	1.48	1.07	.76	.53	12	561.73	433.78	328.05	242.80	175.12
2.14	1.55	1.11	.78	.54	13	578.58	446.79	337.90	250.08	180.37
2.24	1.61	1.15	.81	.57	14	595.94	460.19	348.03	257.58	185.78
2.34	1.68	1.20	.85	.59	15	613.82	474.00	358.47	265.31	191.36
2.45	1.76	1.25	.88	.61	16	632.23	488.22	369.23	273.27	197.10
2.57	1.83	1.30	.91	.63	17	651.20	502.86	380.30	281.47	203.01
2.70	1.92	1.36	.95	.66	18	670.74	517.95	391.71	289.91	209.10
2.83	2.00	1.41	.99	.68	19	690.86	533.49	403.46	298.61	215.37
2.98	2.10	1.47	1.03	.71	20	711.58	549.49	415.57	307.57	221.83
3.13	2.20	1.54	1.07	.73	21	732.93	565.98	428.04	316.80	228.49
3.30	2.30	1.61	1.12	.76	22	754.92	582.96	440.88	326.30	235.34
3.48	2.41	1.68	1.16	.79	23	777.55	600.45	454.10	336.09	242.40
3.67	2.54	1.76	1.21	.83	24	800.89	618.46	467.73	346.17	249.68
3.88	2.67	1.84	1.27	.86	25	824.92	637.01	481.76	356.56	257.17
4.11	2.80	1.93	1.32	.90	26	849.67	656.12	496.21	367.25	264.88
4.36	2.95	2.02	1.38	.93	27	875.16	675.81	511.10	378.27	272.83
4.64	3.11	2.12	1.44	.97	28	901.41	696.07	526.43	389.62	281.01
4.94	3.29	2.22	1.51	1.01	29	928.46	716.96	542.22	401.31	289.44
5.27	3.48	2.34	1.58	1.06	30	956.31	738.47	558.49	413.35	298.13
5.64	3.68	2.46	1.65	1.10	31	985.00	760.63	575.24	425.75	307.07
6.05	3.91	2.59	1.73	1.15	32	1,014.55	783.45	592.50	438.52	316.28
6.51	4.15	2.73	1.82	1.21	33	1,044.98	806.95	610.26	451.67	325.77
7.03	4.42	2.88	1.91	1.26	34	1,076.33	831.16	628.58	465.23	335.54
7.62	4.72	3.05	2.01	1.32	35	1,108.62	856.09	647.44	479.18	345.61
8.29	5.05	3.23	2.11	1.38	36	1,141.88	881.78	666.87	493.56	355.98
9.07	5.42	3.43	2.22	1.45	37	1,176.14	908.23	686.87	508.38	366.66
9.98	5.83	3.64	2.34	1.52	38	1,211.42	935.48	707.48	523.60	377.66
11.06	6.29	3.88	2.47	1.59	39	1,247.77	963.54	728.70	539.32	388.99
12.36	6.82	4.14	2.62	1.68	40	1,285.20	992.45	750.56	555.50	400.66
13.94	7.42	4.43	2.77	1.76	41	1,323.75	1,022.22	773.08	572.17	412.68
15.93	8.12	4.75	2.94	1.86	42	1,363.47	1,052.89	796.27	589.33	425.06
18.49	8.94	5.11	3.12	1.96	43	1,404.37	1,084.47	820.16	607.01	437.80
21.90	9.90	5.52	3.33	2.07	44	1,446.50	1,117.01	844.77	625.22	450.94
26.68	11.06	5.98	3.55	2.19	45	1,489.90	1,150.52	870.11	643.98	464.47
33.86	12.48	6.51	3.80	2.32	46	1,534.59	1,185.03	896.21	663.30	478.41
45.83	14.26	7.12	4.07	2.46	47	1,580.63	1,220.58	923.10	683.20	492.76
69.78	16.55	7.83	4.38	2.61	48	1,628.05	1,257.20	950.79	703.69	507.54
141.65	19.60	8.68	4.73	2.78	49	1,676.89	1,294.92	979.31	724.81	522.77
.....	23.88	9.70	5.13	2.97	50	.....	1,333.77	1,008.69	746.55	538.45
.....	30.31	10.94	5.58	3.18	51	.....	1,373.78	1,038.95	768.95	554.60
.....	41.02	12.50	6.11	3.41	52	.....	1,414.99	1,070.12	792.01	571.24
.....	62.46	14.51	6.72	3.67	53	.....	1,457.44	1,102.23	815.77	588.38
.....	126.80	17.19	7.45	3.96	54	.....	1,501.17	1,135.29	840.25	606.03
.....	.....	20.94	8.32	4.29	55	.....	.....	1,169.35	865.46	624.21
.....	.....	26.57	9.39	4.67	56	.....	.....	1,204.43	891.42	642.94
.....	.....	35.97	10.73	5.11	57	.....	.....	1,240.57	918.16	662.23
.....	.....	54.76	12.45	5.62	58	.....	.....	1,277.78	945.71	682.09
.....	.....	111.17	14.75	6.23	59	.....	.....	1,316.12	974.08	702.55
.....	.....	.....	17.97	6.96	60	.....	.....	.....	1,003.30	723.63
.....	.....	.....	22.80	7.85	61	.....	.....	.....	1,033.40	745.34
.....	.....	.....	30.86	8.97	62	.....	.....	.....	1,064.40	767.70
.....	.....	.....	46.99	10.41	63	.....	.....	.....	1,096.33	790.73
.....	.....	.....	95.39	12.33	64	.....	.....	.....	1,129.22	814.45
.....	.....	.....	.....	15.02	65	.....	.....	.....	.....	838.89
.....	.....	.....	.....	19.06	66	.....	.....	.....	.....	864.05
.....	.....	.....	.....	25.80	67	.....	.....	.....	.....	889.98
.....	.....	.....	.....	38.29	68	.....	.....	.....	.....	916.77
.....	.....	.....	.....	79.75	69	.....	.....	.....	.....	944.17

CANADIAN GOVERNMENT ANNUITIES

DEFERRED LIFE ANNUITIES GUARANTEED FOR 10 YEARS, PAYABLE MONTHLY

In the event of death at any time before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs. In the event of death within the first ten years after the Annuity becomes payable, the payments will be continued for the full ten years. If the Annuitant survives the ten years the Annuity will be continued thereafter as long as the Annuitant lives.

MALES										
Annual Premium for Annuity of \$100 at:					Age Last Birthday	Quarterly Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
18.50	13.78	10.24	7.60	5.66	5	4.68	3.48	2.59	1.92	1.43
19.26	14.32	10.62	7.88	5.86	6	4.87	3.62	2.68	1.99	1.48
20.07	14.89	11.03	8.16	6.07	7	5.07	3.76	2.79	2.06	1.53
20.91	15.49	11.45	8.47	6.28	8	5.29	3.92	2.89	2.14	1.59
21.81	16.11	11.89	8.78	6.51	9	5.51	4.07	3.01	2.22	1.65
22.75	16.77	12.35	9.11	6.74	10	5.75	4.24	3.12	2.30	1.70
23.75	17.46	12.84	9.45	6.99	11	6.00	4.41	3.25	2.39	1.77
24.80	18.19	13.34	9.81	7.25	12	6.27	4.60	3.37	2.48	1.83
25.92	18.95	13.88	10.18	7.51	13	6.55	4.79	3.51	2.57	1.90
27.11	19.76	14.44	10.58	7.79	14	6.85	5.00	3.65	2.67	1.97
28.37	20.62	15.03	10.99	8.08	15	7.17	5.21	3.80	2.78	2.04
29.71	21.52	15.65	11.42	8.39	16	7.51	5.44	3.96	2.89	2.12
31.15	22.48	16.30	11.87	8.70	17	7.87	5.68	4.12	3.00	2.20
32.67	23.49	16.99	12.34	9.04	18	8.26	5.94	4.30	3.12	2.29
34.31	24.57	17.71	12.84	9.38	19	8.67	6.21	4.48	3.25	2.37
36.06	25.71	18.48	13.37	9.75	20	9.12	6.50	4.67	3.38	2.46
37.94	26.93	19.29	13.92	10.13	21	9.59	6.81	4.88	3.52	2.56
39.96	28.23	20.14	14.50	10.53	22	10.10	7.14	5.09	3.67	2.66
42.14	29.61	21.05	15.11	10.95	23	10.65	7.49	5.32	3.82	2.77
44.50	31.09	22.02	15.75	11.40	24	11.25	7.86	5.57	3.98	2.88
47.05	32.68	23.04	16.44	11.86	25	11.89	8.26	5.82	4.16	3.00
49.83	34.38	24.13	17.16	12.35	26	12.60	8.69	6.10	4.34	3.12
52.86	36.21	25.30	17.92	12.86	27	13.36	9.15	6.40	4.53	3.25
56.18	38.19	26.54	18.73	13.41	28	14.20	9.65	6.71	4.73	3.39
59.82	40.33	27.86	19.58	13.98	29	15.12	10.20	7.04	4.95	3.53
63.84	42.64	29.28	20.50	14.58	30	16.14	10.78	7.40	5.18	3.69
68.30	45.16	30.81	21.47	15.22	31	17.27	11.42	7.79	5.43	3.85
73.26	47.91	32.45	22.50	15.90	32	18.52	12.11	8.20	5.69	4.02
78.83	50.91	34.22	23.60	16.62	33	19.93	12.87	8.65	5.97	4.20
85.10	54.21	36.14	24.78	17.38	34	21.51	13.70	9.14	6.26	4.39
92.23	57.86	38.21	26.05	18.19	35	23.32	14.63	9.66	6.59	4.60
100.40	61.90	40.47	27.41	19.05	36	25.38	15.65	10.23	6.93	4.82
109.84	66.40	42.93	28.87	19.97	37	27.77	16.79	10.85	7.30	5.05
120.87	71.44	45.62	30.44	20.95	38	30.56	18.06	11.53	7.70	5.30
133.94	77.13	48.58	32.14	21.99	39	33.86	19.50	12.28	8.12	5.56
149.64	83.59	51.85	33.99	23.12	40	37.83	21.13	13.11	8.59	5.84
168.86	90.99	55.47	36.00	24.32	41	42.69	23.00	14.02	9.10	6.15
192.91	99.54	59.50	38.19	25.62	42	48.77	25.16	15.04	9.65	6.48
223.88	109.54	64.02	40.58	27.01	43	56.60	27.69	16.18	10.26	6.83
265.20	121.38	69.12	43.21	28.52	44	67.04	30.68	17.47	10.92	7.21
323.11	135.61	74.91	46.12	30.16	45	81.68	34.28	18.94	11.66	7.62
410.04	153.03	81.54	49.34	31.94	46	103.66	38.69	20.61	12.47	8.07
555.00	174.83	89.21	52.93	33.89	47	140.30	44.20	22.55	13.38	8.57
845.04	202.89	98.17	56.95	36.01	48	213.63	51.29	24.82	14.40	9.10
1,715.44	240.35	108.78	61.48	38.35	49	433.66	60.76	27.50	15.54	9.69
.....	292.83	121.53	66.63	40.93	50	.....	74.03	30.72	16.84	10.35
.....	371.61	137.14	72.53	43.78	51	.....	93.94	34.67	18.34	11.07
.....	502.98	156.67	79.35	46.97	52	.....	127.15	39.61	20.06	11.87
.....	765.84	181.82	87.32	50.53	53	.....	193.60	45.96	22.07	12.77
.....	1,554.66	215.39	96.76	54.56	54	.....	393.02	54.45	24.46	13.79
.....	.....	262.42	108.10	59.13	55	.....	.....	66.34	27.33	14.95
.....	.....	333.01	121.98	64.36	56	.....	.....	84.18	30.84	16.27
.....	.....	450.74	139.36	70.41	57	.....	.....	113.95	35.23	17.80
.....	.....	686.31	161.73	77.49	58	.....	.....	173.50	40.89	19.59
.....	.....	1,393.20	191.58	85.86	59	.....	.....	352.20	48.43	21.71
.....	.....	.....	233.41	95.93	60	.....	.....	.....	59.01	24.25
.....	.....	.....	296.21	108.25	61	.....	.....	.....	74.88	27.37
.....	.....	.....	400.93	123.67	62	.....	.....	.....	101.36	31.26
.....	.....	.....	610.45	143.52	63	.....	.....	.....	154.32	36.28
.....	.....	.....	1,239.22	170.01	64	.....	.....	.....	313.27	42.98
.....	.....	.....	.....	207.14	65	.....	.....	.....	.....	52.36
.....	.....	.....	.....	262.86	66	.....	.....	.....	.....	66.45
.....	.....	.....	.....	355.79	67	.....	.....	.....	.....	89.94
.....	.....	.....	.....	541.73	68	.....	.....	.....	.....	136.95
.....	.....	.....	.....	1,099.71	69	.....	.....	.....	.....	278.01

CANADIAN GOVERNMENT ANNUITIES

DEFERRED LIFE ANNUITIES GUARANTEED FOR 10 YEARS, PAYABLE MONTHLY

In the event of death at any time before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs. In the event of death within the first ten years after the Annuity becomes payable, the payments will be continued for the full ten years. If the Annuitant survives the ten years the Annuity will be continued thereafter as long as the Annuitant lives.

MALES

Monthly Premium for Annuity of \$100 at:					Age Last Birthday	Single Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
1.56	1.16	.86	.64	.48	5	467.24	365.27	282.37	216.65	165.84
1.63	1.21	.89	.67	.49	6	481.25	376.23	290.83	223.15	170.82
1.70	1.26	.93	.69	.51	7	495.70	387.51	299.56	229.84	175.94
1.77	1.31	.96	.71	.53	8	510.56	399.14	308.54	236.74	181.22
1.84	1.36	1.00	.74	.55	9	525.88	411.11	317.80	243.84	186.66
1.92	1.42	1.04	.77	.57	10	541.66	423.45	327.33	251.15	192.26
2.01	1.47	1.08	.80	.59	11	557.90	436.15	337.15	258.69	198.02
2.09	1.54	1.13	.83	.61	12	574.64	449.23	347.27	266.45	203.97
2.19	1.60	1.17	.86	.63	13	591.88	462.71	357.69	274.44	210.08
2.29	1.67	1.22	.89	.66	14	609.64	476.59	368.42	282.68	216.39
2.40	1.74	1.27	.93	.68	15	627.93	490.89	379.47	291.16	222.88
2.51	1.82	1.32	.96	.71	16	646.76	505.62	390.85	299.90	229.56
2.63	1.90	1.38	1.00	.73	17	666.17	520.78	402.58	308.89	236.45
2.76	1.98	1.44	1.04	.76	18	686.15	536.41	414.66	318.15	243.54
2.90	2.08	1.50	1.08	.79	19	706.74	552.50	427.10	327.70	250.85
3.05	2.17	1.56	1.13	.82	20	727.94	569.08	439.91	337.53	258.38
3.20	2.27	1.63	1.18	.85	21	749.78	586.15	453.11	347.66	266.13
3.38	2.38	1.70	1.22	.89	22	772.58	603.73	466.70	358.09	274.11
3.56	2.50	1.78	1.28	.92	23	795.44	621.84	480.70	368.83	282.34
3.76	2.62	1.86	1.33	.96	24	819.30	640.50	495.12	379.89	290.81
3.97	2.76	1.95	1.39	1.00	25	843.88	659.71	509.98	391.29	299.53
4.20	2.90	2.04	1.45	1.04	26	869.20	679.51	525.27	403.03	308.52
4.47	3.06	2.14	1.51	1.09	27	895.27	699.89	541.03	415.12	317.77
4.75	3.23	2.24	1.58	1.13	28	922.13	720.89	557.26	427.57	327.30
5.05	3.41	2.35	1.65	1.18	29	949.80	742.51	573.98	440.40	337.12
5.35	3.60	2.47	1.73	1.23	30	978.29	764.79	591.20	453.61	347.24
5.77	3.81	2.60	1.81	1.29	31	1,007.64	787.73	608.94	467.22	357.65
6.19	4.05	2.74	1.90	1.34	32	1,037.87	811.37	627.21	481.24	368.38
6.66	4.30	2.89	1.99	1.40	33	1,069.00	835.71	646.02	495.67	379.44
7.19	4.58	3.05	2.09	1.47	34	1,101.07	860.78	665.40	510.54	390.82
7.79	4.89	3.23	2.20	1.54	35	1,134.11	886.60	685.36	525.86	402.54
8.48	5.23	3.42	2.32	1.61	36	1,168.13	913.20	705.92	541.64	414.62
9.28	5.61	3.63	2.44	1.69	37	1,203.17	940.59	727.10	557.88	427.06
10.21	6.03	3.85	2.57	1.77	38	1,239.27	968.81	748.92	574.62	439.87
11.31	6.52	4.10	2.71	1.86	39	1,276.45	997.88	771.38	591.86	453.07
12.64	7.06	4.38	2.87	1.95	40	1,314.74	1,027.81	794.52	609.62	466.66
14.26	7.69	4.69	3.04	2.05	41	1,354.18	1,058.65	818.36	627.90	480.66
16.30	8.41	5.02	3.23	2.16	42	1,394.81	1,090.41	842.91	646.74	495.08
18.91	9.25	5.41	3.43	2.28	43	1,436.65	1,123.12	868.20	666.14	509.93
22.40	10.25	5.84	3.65	2.41	44	1,479.75	1,156.81	894.24	686.13	525.23
27.29	11.45	6.33	3.90	2.55	45	1,524.14	1,191.52	921.07	706.71	540.98
34.64	12.93	6.89	4.17	2.70	46	1,569.87	1,227.26	948.70	727.91	557.21
46.88	14.77	7.54	4.47	2.86	47	1,616.96	1,264.08	977.17	749.75	573.93
71.38	17.14	8.29	4.81	3.04	48	1,665.47	1,302.00	1,006.48	772.24	591.15
144.90	20.30	9.19	5.19	3.24	49	1,715.44	1,341.06	1,036.67	795.41	608.88
.....	24.74	10.27	5.63	3.46	50	.....	1,381.30	1,067.77	819.27	627.15
.....	31.39	11.58	6.13	3.70	51	.....	1,422.73	1,099.81	843.85	645.96
.....	42.48	13.23	6.70	3.97	52	.....	1,465.42	1,132.80	869.17	665.34
.....	64.69	15.36	7.38	4.27	53	.....	1,509.38	1,166.79	895.24	685.30
.....	131.32	18.19	8.17	4.61	54	.....	1,554.66	1,201.79	922.10	705.86
.....	.....	22.17	9.13	4.99	55	.....	.....	1,237.84	949.76	727.04
.....	.....	28.13	10.30	5.44	56	.....	.....	1,274.98	978.25	748.85
.....	.....	38.07	11.77	5.95	57	.....	.....	1,313.23	1,007.60	771.31
.....	.....	57.97	13.66	6.55	58	.....	.....	1,352.63	1,037.83	794.45
.....	.....	117.68	16.18	7.25	59	.....	.....	1,393.20	1,068.96	818.29
.....	.....	.....	19.72	8.10	60	.....	.....	.....	1,101.03	842.84
.....	.....	.....	25.02	9.14	61	.....	.....	.....	1,134.06	868.12
.....	.....	.....	33.87	10.45	62	.....	.....	.....	1,168.09	894.16
.....	.....	.....	51.56	12.12	63	.....	.....	.....	1,203.13	920.99
.....	.....	.....	104.68	14.36	64	.....	.....	.....	1,239.22	948.62
.....	.....	.....	.....	17.50	65	.....	.....	.....	.....	977.08
.....	.....	.....	.....	22.20	66	.....	.....	.....	.....	1,006.39
.....	.....	.....	.....	30.05	67	.....	.....	.....	.....	1,036.58
.....	.....	.....	.....	45.76	68	.....	.....	.....	.....	1,067.68
.....	.....	.....	.....	92.89	69	.....	.....	.....	.....	1,099.71

CANADIAN GOVERNMENT ANNUITIES

DEFERRED LIFE ANNUITIES—PAYABLE MONTHLY

In the event of death before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs.

FEMALES										
Annual Premium for Annuity of \$100 at:					Age Last Birthday	Quarterly Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
19.77	14.89	11.07	8.07	5.72	5	5.00	3.76	2.80	2.04	1.45
20.59	15.48	11.49	8.36	5.93	6	5.21	3.91	2.90	2.11	1.50
21.45	16.09	11.92	8.67	6.14	7	5.42	4.07	3.01	2.19	1.55
22.35	16.73	12.38	8.99	6.36	8	5.65	4.23	3.13	2.27	1.61
23.30	17.41	12.86	9.32	6.58	9	5.89	4.40	3.25	2.36	1.66
24.31	18.12	13.36	9.67	6.82	10	6.15	4.58	3.38	2.44	1.72
25.38	18.86	13.88	10.03	7.07	11	6.42	4.77	3.51	2.54	1.79
26.51	19.65	14.43	10.41	7.33	12	6.70	4.97	3.65	2.63	1.85
27.70	20.48	15.01	10.81	7.60	13	7.00	5.18	3.79	2.73	1.92
28.97	21.35	15.61	11.23	7.88	14	7.32	5.40	3.95	2.84	1.99
30.32	22.28	16.25	11.67	8.18	15	7.66	5.63	4.11	2.95	2.07
31.75	23.25	16.92	12.12	8.48	16	8.03	5.88	4.28	3.06	2.14
33.28	24.29	17.62	12.60	8.80	17	8.41	6.14	4.45	3.19	2.22
34.91	25.38	18.37	13.11	9.14	18	8.83	6.42	4.64	3.31	2.31
36.66	26.55	19.15	13.64	9.49	19	9.27	6.71	4.84	3.45	2.40
38.53	27.78	19.98	14.19	9.86	20	9.74	7.02	5.05	3.59	2.49
40.54	29.10	20.86	14.78	10.25	21	10.25	7.36	5.27	3.74	2.59
42.70	30.50	21.78	15.39	10.65	22	10.79	7.71	5.51	3.89	2.69
45.03	31.99	22.77	16.04	11.08	23	11.38	8.09	5.76	4.05	2.80
47.55	33.59	23.81	16.73	11.53	24	12.02	8.49	6.02	4.23	2.91
50.28	35.31	24.92	17.45	12.00	25	12.71	8.93	6.30	4.41	3.03
53.25	37.15	26.10	18.22	12.49	26	13.46	9.39	6.60	4.61	3.16
56.49	39.13	27.35	19.03	13.01	27	14.28	9.89	6.91	4.81	3.29
60.03	41.26	28.70	19.88	13.56	28	15.18	10.43	7.26	5.03	3.43
63.92	43.57	30.13	20.80	14.14	29	16.16	11.01	7.62	5.26	3.57
68.22	46.07	31.67	21.76	14.75	30	17.25	11.65	8.01	5.50	3.73
72.98	48.79	33.32	22.79	15.40	31	18.45	12.33	8.42	5.76	3.89
78.29	51.76	35.09	23.89	16.09	32	19.79	13.08	8.87	6.04	4.07
84.24	55.01	37.01	25.06	16.81	33	21.30	13.91	9.36	6.34	4.25
90.94	58.57	39.08	26.32	17.58	34	23.00	14.81	9.88	6.65	4.44
98.56	62.51	41.32	27.66	18.40	35	24.92	15.80	10.45	6.99	4.65
107.29	66.88	43.76	29.10	19.27	36	27.12	16.91	11.06	7.36	4.87
117.37	71.74	46.42	30.65	20.20	37	29.67	18.14	11.73	7.75	5.11
129.16	77.19	49.34	32.32	21.19	38	32.65	19.51	12.47	8.17	5.36
143.12	83.33	52.54	34.13	22.25	39	36.18	21.07	13.28	8.63	5.62
159.90	90.31	56.07	36.09	23.38	40	40.42	22.83	14.17	9.12	5.91
180.44	98.31	59.98	38.22	24.60	41	45.62	24.85	15.16	9.66	6.22
206.14	107.55	64.35	40.55	25.91	42	52.11	27.19	16.27	10.25	6.55
239.23	118.36	69.23	43.09	27.33	43	60.48	29.92	17.50	10.89	6.91
283.39	131.15	74.74	45.89	28.85	44	71.64	33.15	18.89	11.60	7.29
345.27	146.52	81.00	48.97	30.51	45	87.28	37.04	20.48	12.38	7.71
438.16	165.34	88.18	52.39	32.31	46	110.77	41.80	22.29	13.24	8.17
593.07	188.89	96.47	56.20	34.28	47	149.93	47.75	24.39	14.21	8.67
903.01	219.21	106.16	60.47	36.43	48	228.28	55.42	26.84	15.29	9.21
1,833.11	259.68	117.63	65.28	38.79	49	463.41	65.65	29.74	16.50	9.81
.....	316.38	131.42	70.75	41.40	50	.....	79.98	33.22	17.89	10.47
.....	401.50	148.30	77.01	44.29	51	.....	101.50	37.49	19.47	11.20
.....	543.44	169.43	84.25	47.51	52	.....	137.38	42.83	21.30	12.01
.....	827.44	196.62	92.72	51.12	53	.....	209.18	49.71	23.44	12.92
.....	1,679.71	232.92	102.74	55.19	54	.....	424.63	58.88	25.97	13.95
.....	.....	283.78	114.78	59.81	55	.....	.....	71.74	29.02	15.12
.....	.....	360.12	129.52	65.11	56	.....	.....	91.04	32.74	16.46
.....	.....	487.43	147.97	71.23	57	.....	.....	123.22	37.41	18.01
.....	.....	742.17	171.72	78.38	58	.....	.....	187.62	43.41	19.81
.....	.....	1,506.60	203.42	86.86	59	.....	.....	380.87	51.42	21.96
.....	.....	.....	247.84	97.04	60	.....	.....	.....	62.65	24.53
.....	.....	.....	314.52	109.50	61	.....	.....	.....	79.51	27.68
.....	.....	.....	425.71	125.10	62	.....	.....	.....	107.62	31.63
.....	.....	.....	648.19	145.18	63	.....	.....	.....	163.86	36.70
.....	.....	.....	1,315.83	171.98	64	.....	.....	.....	332.64	43.48
.....	.....	.....	.....	209.53	65	.....	.....	.....	.....	52.97
.....	.....	.....	.....	265.90	66	.....	.....	.....	.....	67.22
.....	.....	.....	.....	359.90	67	.....	.....	.....	.....	90.98
.....	.....	.....	.....	547.99	68	.....	.....	.....	.....	138.53
.....	.....	.....	.....	1,112.43	69	.....	.....	.....	.....	281.22

CANADIAN GOVERNMENT ANNUITIES

DEFERRED LIFE ANNUITIES—PAYABLE MONTHLY

In the event of death before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs.

FEMALES

Monthly Premium for Annuity of \$100 at:					Age Last Birthday	Single Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
1.67	1.26	.94	.68	.48	5	499.29	394.65	305.34	230.04	167.76
1.74	1.31	.97	.71	.50	6	514.27	406.49	314.50	236.94	172.79
1.81	1.36	1.01	.73	.52	7	529.69	418.68	323.94	244.05	177.98
1.89	1.41	1.05	.76	.54	8	545.58	431.24	333.66	251.37	183.32
1.97	1.47	1.09	.79	.56	9	561.95	444.18	343.67	258.91	188.82
2.05	1.53	1.13	.82	.58	10	578.81	457.51	353.98	266.68	194.48
2.14	1.59	1.17	.85	.60	11	596.17	471.23	364.60	274.68	200.31
2.24	1.66	1.22	.88	.62	12	614.06	485.37	375.53	282.92	206.32
2.34	1.73	1.27	.91	.64	13	632.48	499.93	386.80	291.41	212.51
2.45	1.80	1.32	.95	.67	14	651.46	514.93	398.40	300.15	218.89
2.56	1.88	1.37	.99	.69	15	671.00	530.37	410.36	309.15	225.46
2.68	1.96	1.43	1.02	.72	16	691.13	546.29	422.67	318.43	232.22
2.81	2.05	1.49	1.06	.74	17	711.86	562.67	435.35	327.98	239.19
2.95	2.14	1.55	1.11	.77	18	733.22	579.55	448.41	337.82	246.36
3.10	2.24	1.62	1.15	.80	19	755.22	596.94	461.86	347.96	253.75
3.25	2.35	1.69	1.20	.83	20	777.87	614.85	475.71	358.39	261.37
3.42	2.46	1.76	1.25	.87	21	801.21	633.29	489.99	369.15	269.21
3.61	2.58	1.84	1.30	.90	22	825.24	652.29	504.69	380.22	277.28
3.80	2.70	1.92	1.35	.94	23	850.00	671.86	519.83	391.63	285.60
4.02	2.84	2.01	1.41	.97	24	875.50	692.02	535.42	403.38	294.17
4.25	2.98	2.10	1.47	1.01	25	901.77	712.78	551.48	415.48	302.99
4.50	3.14	2.20	1.54	1.06	26	928.82	734.16	568.03	427.94	312.08
4.77	3.31	2.31	1.61	1.10	27	956.68	756.19	585.07	440.78	321.45
5.07	3.49	2.42	1.68	1.15	28	985.39	778.87	602.62	454.00	331.09
5.40	3.68	2.55	1.76	1.19	29	1,014.95	802.24	620.70	467.62	341.02
5.76	3.89	2.68	1.84	1.25	30	1,045.40	826.31	639.32	481.65	351.25
6.16	4.12	2.81	1.93	1.30	31	1,076.76	851.09	658.50	496.10	361.79
6.61	4.37	2.96	2.02	1.36	32	1,109.06	876.63	678.26	510.98	372.64
7.12	4.65	3.13	2.12	1.42	33	1,142.32	902.93	698.60	526.31	383.82
7.68	4.95	3.30	2.22	1.48	34	1,176.60	930.01	719.56	542.10	395.34
8.33	5.28	3.49	2.34	1.55	35	1,211.90	957.91	741.15	558.37	407.20
9.06	5.65	3.70	2.46	1.63	36	1,248.26	986.65	763.38	575.12	419.41
9.91	6.06	3.92	2.59	1.71	37	1,285.70	1,016.25	786.28	592.37	432.00
10.91	6.52	4.17	2.73	1.79	38	1,324.28	1,046.73	809.87	610.14	444.96
12.09	7.04	4.44	2.88	1.88	39	1,364.00	1,078.14	834.17	628.45	458.31
13.51	7.63	4.74	3.05	1.97	40	1,404.92	1,110.49	859.19	647.30	472.05
15.24	8.30	5.07	3.23	2.08	41	1,447.07	1,143.80	884.97	666.72	486.22
17.41	9.08	5.44	3.43	2.19	42	1,490.48	1,178.11	911.52	686.72	500.84
20.21	10.00	5.85	3.64	2.31	43	1,535.20	1,213.46	938.86	707.32	515.83
23.94	11.08	6.31	3.88	2.44	44	1,581.25	1,249.86	967.03	728.54	531.30
29.16	12.38	6.84	4.14	2.58	45	1,628.69	1,287.36	996.04	750.40	547.24
37.01	13.97	7.45	4.43	2.73	46	1,677.55	1,325.98	1,025.92	772.91	563.66
50.10	15.96	8.15	4.75	2.90	47	1,727.88	1,365.76	1,056.70	796.10	580.57
76.28	18.52	8.97	5.11	3.08	48	1,779.72	1,406.73	1,088.40	819.97	597.98
154.84	21.94	9.94	5.51	3.28	49	1,833.11	1,448.93	1,121.05	844.58	615.92
.....	26.72	11.10	5.97	3.51	50	.....	1,492.40	1,154.68	869.92	634.40
.....	33.91	12.53	6.51	3.74	51	.....	1,537.17	1,189.33	896.01	653.43
.....	45.90	14.31	7.12	4.01	52	.....	1,583.29	1,225.01	922.89	673.04
.....	69.89	16.61	7.83	4.32	53	.....	1,630.79	1,261.76	950.58	693.22
.....	141.89	19.67	8.68	4.66	54	.....	1,679.71	1,299.61	979.10	714.02
.....	.....	23.97	9.70	5.05	55	.....	.....	1,338.60	1,008.47	735.45
.....	.....	30.42	10.94	5.50	56	.....	.....	1,378.75	1,038.72	757.41
.....	.....	41.17	12.50	6.02	57	.....	.....	1,420.12	1,069.89	780.23
.....	.....	62.69	14.51	6.62	58	.....	.....	1,462.72	1,101.98	803.64
.....	.....	127.26	17.18	7.34	59	.....	.....	1,506.60	1,135.04	827.75
.....	.....	.....	20.94	8.20	60	.....	.....	.....	1,169.09	852.58
.....	.....	.....	26.57	9.25	61	.....	.....	.....	1,204.17	878.16
.....	.....	.....	35.96	10.57	62	.....	.....	.....	1,240.29	904.51
.....	.....	.....	54.75	12.26	63	.....	.....	.....	1,277.50	931.64
.....	.....	.....	111.15	14.53	64	.....	.....	.....	1,315.83	959.59
.....	.....	.....	.....	17.70	65	.....	.....	.....	.....	988.38
.....	.....	.....	.....	22.46	66	.....	.....	.....	.....	1,018.03
.....	.....	.....	.....	30.40	67	.....	.....	.....	.....	1,048.57
.....	.....	.....	.....	46.29	68	.....	.....	.....	.....	1,080.03
.....	.....	.....	.....	93.97	69	.....	.....	.....	.....	1,112.43

CANADIAN GOVERNMENT ANNUITIES

DEFERRED LIFE ANNUITIES GUARANTEED FOR 10 YEARS, PAYABLE MONTHLY

In the event of death at any time before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs. In the event of death within the first ten years after the Annuity becomes payable, the payments will be continued for the full ten years. If the Annuitant survives the ten years the Annuity will be continued thereafter as long as the Annuitant lives.

FEMALES

Annual Premium for Annuity of \$100 at:					Age Last Birthday	Quarterly Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
20.12	15.23	11.44	8.49	6.25	5	5.09	3.85	2.89	2.15	1.53
20.95	15.83	11.87	8.80	6.47	6	5.30	4.00	3.00	2.22	1.64
21.83	16.46	12.32	9.12	6.70	7	5.52	4.16	3.11	2.31	1.69
22.75	17.12	12.79	9.46	6.94	8	5.75	4.32	3.23	2.39	1.75
23.72	17.81	13.28	9.81	7.19	9	6.00	4.50	3.36	2.48	1.82
24.75	18.53	13.79	10.17	7.45	10	6.26	4.68	3.49	2.57	1.88
25.83	19.30	14.34	10.56	7.72	11	6.53	4.88	3.63	2.67	1.95
26.98	20.10	14.90	10.96	8.00	12	6.82	5.08	3.77	2.77	2.02
28.20	20.95	15.50	11.37	8.29	13	7.13	5.30	3.92	2.87	2.10
29.49	21.85	16.12	11.81	8.60	14	7.46	5.52	4.08	2.99	2.17
30.86	22.79	16.78	12.27	8.92	15	7.80	5.76	4.24	3.10	2.25
32.32	23.79	17.47	12.75	9.26	16	8.17	6.01	4.42	3.22	2.34
33.88	24.85	18.20	13.26	9.61	17	8.56	6.28	4.60	3.35	2.43
35.54	25.97	18.97	13.79	9.98	18	8.98	6.57	4.80	3.49	2.52
37.32	27.16	19.78	14.34	10.36	19	9.43	6.87	5.00	3.63	2.62
39.22	28.42	20.64	14.93	10.76	20	9.91	7.18	5.22	3.77	2.72
41.26	29.77	21.54	15.55	11.19	21	10.43	7.53	5.45	3.93	2.83
43.46	31.20	22.50	16.19	11.63	22	10.99	7.89	5.69	4.09	2.94
45.83	32.73	23.51	16.88	12.09	23	11.59	8.27	5.94	4.27	3.06
48.40	34.37	24.59	17.60	12.58	24	12.24	8.69	6.22	4.45	3.18
51.18	36.12	25.74	18.36	13.09	25	12.94	9.13	6.51	4.64	3.31
54.20	38.00	26.95	19.16	13.63	26	13.70	9.61	6.81	4.84	3.45
57.50	40.03	28.25	20.02	14.20	27	14.54	10.12	7.14	5.06	3.59
61.10	42.21	29.64	20.92	14.80	28	15.45	10.67	7.49	5.29	3.74
65.07	44.57	31.12	21.88	15.43	29	16.45	11.27	7.87	5.53	3.90
69.44	47.13	32.71	22.89	16.10	30	17.55	11.91	8.27	5.79	4.07
74.29	49.92	34.41	23.98	16.81	31	18.78	12.62	8.70	6.06	4.25
79.69	52.95	36.24	25.13	17.55	32	20.15	13.39	9.16	6.35	4.44
85.74	56.27	38.22	26.37	18.35	33	21.68	14.23	9.66	6.67	4.64
92.57	59.93	40.36	27.68	19.19	34	23.40	15.15	10.20	7.00	4.85
100.32	63.95	42.68	29.10	20.08	35	25.36	16.17	10.79	7.36	5.08
109.21	68.42	45.20	30.61	21.03	36	27.61	17.30	11.43	7.74	5.32
119.47	73.39	47.95	32.24	22.04	37	30.20	18.55	12.12	8.15	5.57
131.48	78.97	50.96	34.00	23.12	38	33.24	19.96	12.88	8.60	5.84
145.69	85.25	54.26	35.91	24.28	39	36.83	21.55	13.72	9.08	6.14
162.77	92.40	57.91	37.97	25.52	40	41.15	23.36	14.64	9.60	6.45
183.67	100.57	61.95	40.21	26.85	41	46.43	25.42	15.66	10.17	6.79
209.84	110.03	66.46	42.65	28.28	42	53.05	27.82	16.80	10.78	7.15
243.51	121.09	71.50	45.33	29.82	43	61.56	30.61	18.08	11.46	7.54
288.47	134.17	77.20	48.27	31.49	44	72.93	33.92	19.52	12.20	7.96
351.46	149.90	83.66	51.52	33.30	45	88.85	37.89	21.15	13.02	8.42
446.01	169.15	91.07	55.11	35.27	46	112.75	42.76	23.02	13.93	8.92
603.68	193.25	99.63	59.12	37.41	47	152.61	48.85	25.19	14.95	9.46
919.17	224.27	109.64	63.61	39.76	48	232.37	56.70	27.72	16.08	10.05
1,865.92	265.67	121.49	68.67	42.34	49	471.70	67.16	30.71	17.36	10.70
.....	323.68	135.73	74.43	45.18	50	.....	81.83	34.31	18.82	11.42
.....	410.76	153.17	81.02	48.34	51	.....	103.84	38.72	20.48	12.22
.....	555.97	174.98	88.63	51.85	52	.....	140.55	44.23	22.41	13.11
.....	846.53	203.07	97.54	55.79	53	.....	214.00	51.34	24.66	14.10
.....	1,718.45	240.56	108.08	60.23	54	.....	434.42	60.81	27.32	15.23
.....	.....	293.08	120.75	65.28	55	.....	.....	74.09	30.53	16.50
.....	.....	371.93	136.26	71.06	56	.....	.....	94.02	34.45	17.96
.....	.....	503.42	155.67	77.74	57	.....	.....	127.26	39.35	19.65
.....	.....	766.51	180.66	85.55	58	.....	.....	193.77	45.67	21.63
.....	.....	1,556.02	214.01	94.79	59	.....	.....	393.36	54.10	23.96
.....	.....	.....	260.73	105.90	60	.....	.....	.....	65.91	26.77
.....	.....	.....	330.88	119.51	61	.....	.....	.....	83.65	30.21
.....	.....	.....	447.85	136.53	62	.....	.....	.....	113.22	34.51
.....	.....	.....	681.91	158.44	63	.....	.....	.....	172.39	40.05
.....	.....	.....	1,384.27	187.69	64	.....	.....	.....	349.94	47.45
.....	.....	.....	.....	228.68	65	.....	.....	.....	.....	57.81
.....	.....	.....	.....	290.20	66	.....	.....	.....	.....	83.36
.....	.....	.....	.....	392.79	67	.....	.....	.....	.....	99.30
.....	.....	.....	.....	598.07	68	.....	.....	.....	.....	151.19
.....	.....	.....	.....	1,214.08	69	.....	.....	.....	.....	306.92

CANADIAN GOVERNMENT ANNUITIES

DEFERRED LIFE ANNUITIES GUARANTEED FOR 10 YEARS, PAYABLE MONTHLY

In the event of death at any time before the first payment of Annuity falls due, all premiums paid, with interest, will be refunded to heirs. In the event of death within the first ten years after the Annuity becomes payable, the payments will be continued for the full ten years. If the Annuitant survives the ten years the Annuity will be continued thereafter as long as the Annuitant lives.

FEMALES										
Monthly Premium for Annuity of \$100 at:					Age Last Birthday	Single Premium for Annuity of \$100 at:				
Age 50	Age 55	Age 60	Age 65	Age 70		Age 50	Age 55	Age 60	Age 65	Age 70
\$	\$	\$	\$	\$		\$	\$	\$	\$	\$
1.70	1.29	.97	.72	.53	5	508.22	403.75	315.36	242.01	183.09
1.77	1.34	1.00	.74	.55	6	523.47	415.86	324.82	249.27	188.58
1.84	1.39	1.04	.77	.57	7	539.18	428.34	334.56	256.74	194.24
1.92	1.45	1.08	.80	.59	8	555.35	441.19	344.60	264.45	200.07
2.00	1.50	1.12	.83	.61	9	572.01	454.42	354.94	272.38	206.07
2.09	1.57	1.16	.86	.63	10	589.17	468.06	365.59	280.55	212.25
2.18	1.63	1.21	.89	.65	11	606.85	482.10	376.55	288.97	218.62
2.28	1.70	1.26	.93	.68	12	625.05	496.56	387.85	297.64	225.18
2.38	1.77	1.31	.96	.70	13	643.80	511.46	399.49	306.57	231.93
2.49	1.85	1.36	1.00	.73	14	663.12	526.80	411.47	315.76	238.89
2.61	1.92	1.42	1.04	.75	15	683.01	542.61	423.82	325.24	246.06
2.73	2.01	1.48	1.08	.78	16	703.50	558.88	436.53	334.99	253.44
2.86	2.10	1.54	1.12	.81	17	724.61	575.65	449.63	345.04	261.04
3.00	2.19	1.60	1.17	.84	18	746.34	592.92	463.11	355.39	268.87
3.15	2.29	1.67	1.21	.88	19	768.74	610.71	477.01	366.05	276.94
3.31	2.40	1.74	1.26	.91	20	791.80	629.03	491.32	377.04	285.25
3.49	2.51	1.82	1.31	.95	21	815.55	647.90	506.06	388.35	293.81
3.67	2.64	1.90	1.37	.98	22	840.12	667.34	521.24	400.00	302.62
3.87	2.76	1.99	1.43	1.02	23	865.22	687.36	536.88	412.00	311.70
4.09	2.90	2.08	1.49	1.06	24	891.17	707.98	552.98	424.36	321.05
4.32	3.05	2.17	1.55	1.11	25	917.91	729.22	569.57	437.09	330.68
4.58	3.21	2.28	1.62	1.15	26	945.45	751.10	586.66	450.20	340.60
4.86	3.38	2.39	1.69	1.20	27	973.81	773.63	604.26	463.71	350.82
5.16	3.57	2.50	1.77	1.25	28	1,003.03	796.83	622.39	477.62	361.34
5.50	3.76	2.63	1.85	1.30	29	1,033.12	820.74	641.06	491.95	372.18
5.87	3.98	2.76	1.93	1.36	30	1,064.11	845.36	660.29	506.71	383.35
6.28	4.22	2.91	2.03	1.42	31	1,096.03	870.72	680.10	521.91	394.85
6.73	4.47	3.06	2.12	1.48	32	1,128.91	896.84	700.50	537.56	406.70
7.24	4.75	3.23	2.23	1.55	33	1,162.78	923.75	721.52	553.69	418.90
7.82	5.06	3.41	2.34	1.62	34	1,197.66	951.46	743.16	570.30	431.46
8.47	5.40	3.61	2.46	1.70	35	1,233.59	980.01	765.46	587.41	444.41
9.22	5.78	3.82	2.59	1.78	36	1,270.60	1,009.41	788.42	605.03	457.74
10.09	6.19	4.05	2.72	1.86	37	1,308.72	1,039.69	812.07	623.18	471.47
11.11	6.67	4.30	2.87	1.95	38	1,347.98	1,070.88	836.44	641.88	485.62
12.31	7.20	4.58	3.03	2.05	39	1,388.42	1,103.01	861.53	661.14	500.18
13.75	7.81	4.89	3.21	2.16	40	1,430.07	1,136.10	887.38	680.97	515.19
15.51	8.50	5.23	3.40	2.27	41	1,472.98	1,170.18	914.00	701.40	530.65
17.73	9.29	5.61	3.60	2.39	42	1,517.17	1,205.28	941.42	722.44	546.56
20.57	10.23	6.04	3.83	2.52	43	1,562.68	1,241.44	969.66	744.11	562.96
24.37	11.33	6.52	4.08	2.66	44	1,609.56	1,278.69	998.75	766.44	579.85
29.69	12.66	7.07	4.35	2.81	45	1,657.85	1,317.05	1,028.71	789.43	597.25
37.67	14.29	7.69	4.66	2.98	46	1,707.58	1,356.56	1,059.57	813.11	615.16
50.99	16.32	8.42	4.99	3.16	47	1,758.81	1,397.25	1,091.36	837.51	633.62
77.64	18.94	9.26	5.37	3.36	48	1,811.58	1,439.17	1,124.10	862.63	652.63
157.61	22.44	10.26	5.80	3.58	49	1,865.92	1,482.35	1,157.82	888.51	672.21
.....	27.34	11.46	6.29	3.82	50	.....	1,526.82	1,192.56	915.17	692.37
.....	34.70	12.94	6.84	4.08	51	.....	1,572.62	1,228.34	942.62	713.14
.....	46.96	14.78	7.49	4.38	52	.....	1,619.80	1,265.19	970.90	734.54
.....	71.50	17.15	8.24	4.71	53	.....	1,668.39	1,303.14	1,000.03	756.57
.....	145.16	20.32	9.13	5.09	54	.....	1,718.45	1,342.24	1,030.03	779.27
.....	.....	24.76	10.20	5.51	55	.....	.....	1,382.50	1,060.93	802.65
.....	.....	31.42	11.51	6.00	56	.....	.....	1,423.98	1,092.76	826.73
.....	.....	42.52	13.15	6.57	57	.....	.....	1,466.70	1,125.54	851.53
.....	.....	64.75	15.26	7.23	58	.....	.....	1,510.70	1,159.31	877.08
.....	.....	131.44	18.08	8.01	59	.....	.....	1,556.02	1,194.09	903.39
.....	.....	.....	22.02	8.95	60	.....	.....	.....	1,229.91	930.49
.....	.....	.....	27.95	10.10	61	.....	.....	.....	1,266.80	958.40
.....	.....	.....	37.83	11.53	62	.....	.....	.....	1,304.81	987.16
.....	.....	.....	57.60	13.38	63	.....	.....	.....	1,343.95	1,016.77
.....	.....	.....	116.93	15.85	64	.....	.....	.....	1,384.27	1,047.27
.....	.....	.....	.....	19.32	65	.....	.....	.....	.....	1,078.69
.....	.....	.....	.....	24.51	66	.....	.....	.....	.....	1,111.05
.....	.....	.....	.....	33.18	67	.....	.....	.....	.....	1,144.38
.....	.....	.....	.....	50.52	68	.....	.....	.....	.....	1,178.72
.....	.....	.....	.....	102.55	69	.....	.....	.....	.....	1,214.08

CANADIAN GOVERNMENT ANNUITIES

IMMEDIATE LIFE ANNUITIES
PAYABLE MONTHLY

IMMEDIATE LIFE ANNUITIES
GUARANTEED TEN YEARS
PAYABLE MONTHLY

MALES		FEMALES		Age Last Birthday	MALES		FEMALES	
Premium for Annuity of \$100	Annuity obtainable for premium of \$1,000	Premium for Annuity of \$100	Annuity obtainable for premium of \$1,000		Premium for Annuity of \$100	Annuity obtainable for premium of \$1,000	Premium for Annuity of \$100	Annuity obtainable for premium of \$1,000
\$	\$	\$	\$		\$	\$	\$	\$
2,493	40.11	2,569	38.93	21	2,502	39.97	2,577	38.80
2,472	40.45	2,550	39.22	22	2,482	40.29	2,559	39.08
2,451	40.80	2,531	39.51	23	2,461	40.63	2,540	39.37
2,429	41.17	2,511	39.82	24	2,440	40.98	2,521	39.67
2,407	41.56	2,492	40.13	25	2,419	41.34	2,502	39.97
2,385	41.93	2,472	40.45	26	2,398	41.70	2,483	40.27
2,363	42.32	2,451	40.80	27	2,376	42.09	2,463	40.60
2,340	42.74	2,431	41.14	28	2,354	42.48	2,443	40.93
2,317	43.16	2,410	41.49	29	2,332	42.88	2,423	41.27
2,293	43.61	2,389	41.86	30	2,309	43.31	2,403	41.61
2,270	44.05	2,367	42.25	31	2,286	43.74	2,382	41.98
2,245	44.54	2,346	42.63	32	2,262	44.21	2,361	42.35
2,221	45.02	2,323	43.05	33	2,239	44.66	2,340	42.74
2,196	45.54	2,301	43.46	34	2,214	45.17	2,318	43.14
2,170	46.08	2,278	43.90	35	2,190	45.66	2,296	43.55
2,144	46.64	2,255	44.35	36	2,165	46.19	2,274	43.98
2,118	47.21	2,232	44.80	37	2,139	46.75	2,251	44.42
2,091	47.82	2,208	45.29	38	2,114	47.30	2,228	44.88
2,064	48.45	2,183	45.81	39	2,087	47.92	2,205	45.35
2,036	49.12	2,159	46.32	40	2,060	48.54	2,181	45.85
2,008	49.80	2,134	46.86	41	2,033	49.19	2,157	46.36
1,979	50.53	2,108	47.44	42	2,005	49.88	2,132	46.90
1,949	51.31	2,082	48.03	43	1,977	50.58	2,107	47.46
1,919	52.11	2,056	48.64	44	1,948	51.33	2,081	48.05
1,888	52.97	2,029	49.29	45	1,918	52.14	2,055	48.66
1,857	53.85	2,001	49.98	46	1,888	52.97	2,029	49.29
1,825	54.79	1,973	50.68	47	1,857	53.85	2,002	49.95
1,792	55.80	1,945	51.41	48	1,826	54.76	1,974	50.66
1,759	56.85	1,916	52.19	49	1,794	55.74	1,946	51.39
1,725	57.97	1,886	53.02	50	1,762	56.75	1,918	52.14
1,690	59.17	1,856	53.88	51	1,730	57.80	1,888	52.97
1,654	60.46	1,824	54.82	52	1,697	58.93	1,858	53.82
1,618	61.80	1,793	55.77	53	1,664	60.10	1,828	54.70
1,581	63.25	1,761	56.79	54	1,630	61.35	1,797	55.65
1,544	64.77	1,727	57.90	55	1,597	62.62	1,765	56.66
1,507	66.36	1,693	59.07	56	1,564	63.94	1,733	57.70
1,469	68.07	1,659	60.28	57	1,530	65.36	1,700	58.82
1,431	69.88	1,623	61.61	58	1,497	66.80	1,667	59.99
1,393	71.79	1,587	63.01	59	1,464	68.31	1,633	61.24
1,355	73.80	1,550	64.52	60	1,431	69.88	1,598	62.58
1,317	75.93	1,512	66.14	61	1,399	71.48	1,563	63.98
1,279	78.19	1,473	67.89	62	1,367	73.15	1,528	65.45
1,241	80.58	1,434	69.74	63	1,335	74.91	1,493	66.98
1,203	83.13	1,394	71.74	64	1,304	76.69	1,457	68.63
1,165	85.84	1,354	73.86	65	1,274	78.49	1,422	70.32
1,127	88.73	1,313	76.16	66	1,244	80.39	1,386	72.15
1,089	91.83	1,272	78.62	67	1,214	82.37	1,351	74.02
1,052	95.06	1,230	81.30	68	1,185	84.39	1,316	75.99
1,014	98.62	1,188	84.18	69	1,157	86.43	1,281	78.06
977	102.35	1,146	87.26	70	1,131	88.42	1,247	80.19
940	106.38	1,104	90.58	71	1,105	90.50	1,214	82.37
903	110.74	1,061	94.25	72	1,080	92.59	1,181	84.67
866	115.47	1,019	98.14	73	1,057	94.61	1,150	86.96
829	120.63	977	102.35	74	1,035	96.62	1,119	89.37
793	126.10	934	107.07	75	1,014	98.62	1,091	91.66
757	132.10	893	111.98	76				
722	138.50	851	117.51	77				
687	145.56	810	123.46	78				
654	152.91	770	129.87	79				
623	160.51	731	136.80	80				
593	168.63	692	144.51	81				
565	176.99	655	152.67	82				
538	185.87	618	161.81	83				
512	195.31	583	171.53	84				
487	205.34	549	182.15	85				

APPENDIX B

GOVERNMENT ANNUITIES ACT

Chapter 7 of the Revised Statutes of Canada, 1927, as amended by Chapter 33 of the Statutes of 1931.

(Office Consolidation of the Act)

An Act to authorize the issue of Government Annuities for Old Age.

WHEREAS it is in the public interest that habits of thrift Preamble.
be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

SHORT TITLE

1. This Act may be cited as The Government Annuities Short title.
Act. 1908, c. 5, s. 1.

INTERPRETATION

2. In this Act, unless the context otherwise requires, Definitions.
- (a) "annuitant" means a person in receipt of, or entitled to "Annuitant."
the receipt of, an annuity;
 - (b) "annuity" means an annuity issued under the provi- "Annuity."
sions of this Act;
 - (c) "Minister" means the Minister appointed by the "Minister."
Governor in Council to administer this Act;
 - (d) "purchaser" means any person who has contracted for "Purchaser."
the purchase of an annuity.

3. Until otherwise determined by the Governor in Council Adminis-
tration.
under the provisions of paragraph (c) of section two, this Act shall be administered by the Minister of Labour.

4. His Majesty, represented and acting by the Minister, Sale of
annuities
authorized.
may, subject to the provisions of this Act and of any Order in Council made under the authority of this Act, contract with any person for the sale

- (a) of an immediate or deferred annuity to any person resident or domiciled in Canada,
 - (i) for the life of the annuitant;
 - (ii) for a term of years certain, not exceeding twenty years, provided the annuitant shall so long live;
 - (iii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period shall be the longer;

- (b) of an immediate or deferred annuity to any two persons resident or domiciled in Canada during their joint lives, and with or without continuation to the survivor.

Payments
by
purchaser.

5. The purchaser may, by the payment at any time of a sum of not less than ten dollars, or by the payment of a stipulated sum periodically at fixed and definite intervals, to any agent of the Minister appointed under the provisions of this Act, purchase an annuity under the provisions hereof: Provided, however, that the amount payable by way of the annuity so purchased shall be subject to the terms of section eight.

Payment by
depositor in
P.O. Savings
Bank.

6. Any purchaser who has money sufficient for the purpose deposited in any Post Office Savings Bank, may, upon making demand in such form as is prescribed in that behalf by the Postmaster General, authorize the Postmaster General to transfer to the Minister any sum which such purchaser desires to apply to the purchase of an annuity under this Act.

Purchase of
annuities
by cor-
poration
for its
members.

2. Any society or association of persons, being a body corporate for fraternal, benevolent, religious or other lawful purposes, may contract with His Majesty, on behalf of such of its members as are domiciled in Canada, for the sale to such members of annuities otherwise purchasable by them as individuals under this Act; and any sums of money necessary to the carrying out of this object may be paid by such society or association direct to the Minister, or may be deposited in any Post Office Savings Bank, to be transferred by the Postmaster General to the Minister.

Purchase of
annuities by
employers
for their
employees.

3. Employers of labour may, pursuant to agreement entered into with their employees in that behalf, such agreement to be of a form approved by the Minister, contract with His Majesty for the sale to such of their employees as are domiciled in Canada of annuities otherwise purchasable by such employees as individuals under this Act; and any sums of money necessary to the carrying out of this object, whether such sums are derived from the wages of the employees solely, or partly from the wages of the employees and partly from contributions of the employers, or from contributions of the employers solely, may be paid by such employers direct to the Minister, or may be deposited in any Post Office Savings Bank to be transferred by the Postmaster General to the Minister; but unless otherwise expressly stipulated, any sums so paid shall be held for the exclusive account of the persons in whose names they were deposited respectively.

Annuity
tables.

7. All contracts for the purchase of annuities shall be entered into in accordance with the values stated in tables prepared under regulations made pursuant to section thirteen, and for the time being in use.

Limitations
as to
persons and
amount.

8. An annuity shall not be granted or issued on the life of any person other than the actual annuitant, nor for an amount less than ten dollars a year; and the total amount payable by way of an annuity or annuities to any annuitant or to joint annuitants shall not exceed twelve hundred dollars a year.

(By chapter 33 of the Statutes of 1931 the previous maximum of five thousand dollars was changed to the present figure, but with the provision that this should not affect any existing contract for an annuity.)

2. Any contract providing for an annuity to commence to be payable at any greater age than eighty-five years shall, as to purchase price, be subject to the same terms as if the age were exactly eighty-five years. Maximum age.

3. When a married man who has purchased an annuity payable to himself applies to have a portion thereof converted into an annuity payable to his wife, or when a married woman who has purchased an annuity payable to herself applies to have a portion thereof converted into an annuity payable to her husband, the Minister may make such conversion, if Conditions of conversion of annuity of husband for wife.

- (a) the application is made within the three months preceding the time when the annuity becomes payable; and
- (b) the annuity so made payable to the wife does not exceed one-half of the husband's annuity, or the annuity so made payable to the husband does not exceed one-half of the wife's annuity; and
- (c) the provisions of this Act and any regulations made under this Act are complied with.

9. The Minister may refuse to contract for an annuity in any case where he is of opinion that there are sufficient grounds for refusing so to do. Refusal for cause.

10. Except as otherwise provided in this Act, no property, right, title, benefit or interest in, under, or arising out of a contract for an annuity shall be transferable, either at law or in equity. Rights to annuity not transferable.

2. The Minister shall not receive nor be affected by notice, however given, of any trust affecting an annuity or affecting moneys paid or payable in respect of an annuity. Trust not to be recognized.

11. An annuity and all moneys paid or payable and all rights under an annuity contract shall be exempt from the operation of any law relating to bankruptcy or insolvency, and shall not be seized or levied upon by or under the process of any court. Interest not attachable.

2. If the application for an annuity contract is made and the consideration therefor is paid with intent to delay, hinder or defraud creditors, the creditors shall, upon establishing such intent before a court of competent jurisdiction, be entitled to receive, and the Minister is hereby authorized to pay to them or to any person authorized by the court to receive it on their behalf, any sum paid in by the purchaser, with interest thereon at the rate of three per cent per annum compounded yearly, or so much thereof as is certified by the court to be required to satisfy the claims of such creditors, and costs; and thereupon the annuity contract shall be cancelled, or the annuity to become payable thereunder shall be proportionately reduced, according as the whole or a part only of the sum payable as aforesaid is so paid by the Minister; or, if an annuity is then payable under Rights of creditors saved.

the contract, such payment may be made out of and up to an amount equal to the present value of the annuity so payable, and the contract shall thereupon be cancelled, or the annuity payable thereunder proportionately reduced, according as the whole or a part only of such present value is so paid.

Limitation
of action.

3. No action shall be brought for the cancellation of an annuity granted under this Act after the lapse of two years from the time at which the payment complained of has been made.

Provisions
for return
of moneys
paid if
annuitant
dies before
annuity
becomes
payable.

12. When the annuitant or last survivor of joint annuitants dies before the annuity becomes payable, and any moneys have been paid or deposited as consideration for the annuity, such moneys shall be repaid to the purchaser or to his legal representatives, with interest thereon at the rate of four per cent per annum, compounded yearly; but if there is an express agreement between the Minister and the purchaser as to dealing with such moneys, then they shall be paid as provided in such agreement.

When
term
unexpired.

2. When, under the annuity contract, the annuity is payable for a term of years certain or for the life of the annuitant, whichever period shall be the longer, and the annuitant dies before the expiration of the said term of years certain, the annuity shall, during the unexpired portion of the said term, be paid to the purchaser or to his legal representatives; but if there is an express agreement to the contrary between the Minister and the purchaser, the annuity shall be paid as provided in such agreement.

Regulations
by Governor
in Council.

13. The Governor in Council may make regulations not inconsistent with this Act,

- (a) as to the rate of interest to be allowed in the computation of values in the tables hereinafter referred to; and as to the rate of interest to be employed in valuing the annuities as provided for in subsection two of section fifteen;
- (b) as to the preparation and use of tables for determining the value of annuities; and the revocation of all or any such tables and the preparation and use of other tables;
- (c) as to the mode of making, and the forms of, contracts for annuities, including all requirements as to applications therefor;
- (d) as to the selection of agents of the Minister to assist in executing the provisions of this Act, and the remuneration, if any, to such agents therefor;
- (e) as to the modes of proving the age and identity and the existence or death of persons;
- (f) as to the modes of paying sums of money payable under this Act;
- (g) as to dealing with an application of unclaimed annuities;
- (h) for the doing of anything incidental to the foregoing matters, or necessary for the effectual execution and working of this Act and the attainment of the intention and objects thereof.

14. The moneys received under the provisions of this Act shall form part of the Consolidated Revenue Fund; and the moneys payable under the said provisions shall be payable out of the said Consolidated Revenue Fund.

15. An account shall be kept, to be called the Government Annuities Account, of all moneys received and paid out under the provisions of this Act, and of the assets and liabilities appertaining to the grant of annuities under the said provisions; and among the liabilities included in the said account at the end of each fiscal year shall appear the present value of the prospective annuities contracted for up to the end of such fiscal year.

2. The present value referred to in the preceding subsection shall, as to interest, be calculated upon such rate as is fixed by the Governor in Council, and, as to mortality, upon such rates as are used in preparing the tables approved of by the Governor in Council and for the time being in use, as provided for in paragraph (b) of section thirteen.

16. There shall be laid before both Houses of Parliament, within the first thirty days of each session thereof, a return containing a full and clear statement and accounts of all business done in pursuance of this Act during the fiscal year next previous to such session, and copies of all regulations made during that fiscal year under the provisions of section thirteen of this Act.

APPENDIX "C"

23.

Fifth Session, Twenty-First Parliament, 15 George VI, 1951.

THE HOUSE OF COMMONS OF CANADA.

BILL 23.

An Act to amend the Government Annuities Act.

First reading, November 15, 1951.

THE MINISTER OF LABOUR.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

5th Session, 21st Parliament, 15 George VI, 1951.

THE HOUSE OF COMMONS OF CANADA.

BILL 23.

An Act to amend the Government Annuities Act.

R.S., c. 7;
1931, c. 33;
1950, c. 50.

HIS Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. Paragraph (b) of section two of the *Government Annuities Act*, chapter seven of the Revised Statutes of Canada, 1927, is repealed, and the following substituted therefor:

'contract'.

"(b) 'contract' means an agreement for the payment of an annuity entered into under this Act;"

2. Sections four, five, six and seven of the said Act, and section eight of the said Act as amended by section one of chapter thirty-three of the statutes of 1931, are repealed and the following substituted therefor:

Annuity
contracts
authorized.

"4. (1) Subject to this Act and the regulations, the Minister may, on behalf of His Majesty, enter into a contract for the payment of an immediate or deferred annuity

- (a) to any person who is resident or domiciled in Canada at the time the contract is entered into,
 - (i) for the life of the annuitant,
 - (ii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period is the shorter,
 - (iii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period is the longer or
 - (iv) for a term of years certain not exceeding twenty years;
- (b) to any two persons who are resident or domiciled in Canada at the time the contract is entered into, during their joint lives with continuation to the survivor for his life; or
- (c) to any person during his life and, upon his death to another person for his life, if both persons are resident or domiciled in Canada at the time the contract is entered into;

EXPLANATORY NOTES

The purposes of the Bill are to increase the maximum annuity which may be purchased from twelve hundred dollars up to twenty-four hundred dollars and to provide greater flexibility in the provisions of the Act relating to the issue, conversion and amendment of annuity contracts and payments thereunder, and to clarify provisions of the Act which have given rise to legal or technical difficulties in the administration thereof.

1. The present section 2 of the Act reads as follows:

"INTERPRETATION.

"2. In this Act, unless the context otherwise requires,

- (a) "annuitant" means a person in receipt of, or entitled to the receipt of, an annuity;
- (b) "annuity" means an annuity issued under the provisions of this Act;
- (c) "Minister", means the Minister appointed by the Governor in Council to administer the Act;
- (d) "purchaser" means any person who has contracted for the purchase of an annuity."

Paragraph (b). The definition of annuity in the present paragraph (b) of section two of the Act is deleted as no longer necessary and a definition of 'contract' is inserted.

2. The present section 4 of the Act reads as follows:

"4. His Majesty, represented and acting by the Minister, may, subject to the provisions of this Act and of any Order in Council made under the authority of this Act, contract with any person for the sale

(a) of an immediate or deferred annuity to any person resident or domiciled in Canada,

- (i) for the life of the annuitant;
- (ii) for a term of years certain, not exceeding twenty years, provided the annuitant shall so long live;
- (iii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period shall be the longer;

(b) of an immediate or deferred annuity to any two persons resident or domiciled in Canada during their joint lives, and with or without continuation to the survivor."

Subsection (1) of the new section 4 is a revision of the present section 4 with the following changes in substance:

The sale of two additional types of annuity is authorized, viz.:
by subpara. (iv) of para. (a)—an annuity for a specific term of years,

by para. (c)—a contingent last survivor annuity.

The authority contained in the present section 4 for sale of an annuity to two persons on their joint lives without continuation to the survivor is not carried forward into the new section as there is no demand for this type of annuity.

The last clause of the subsection gives authority to provide in the contract for a change from one type of annuity to another before the annuity becomes payable.

and any contract entered into under this section may provide that before the annuity becomes due and payable, the terms of payment may be altered to provide for the payment of any other type of annuity mentioned in this section.

Combination
of annuity
types.

(2) A contract entered into under paragraph (a) of subsection one may provide for the payment of a combination of two or more of the types of annuities described in that paragraph, and a contract entered into under paragraph (b) or (c) of subsection one may provide for the alteration of the amount of the annuity upon the death of one of the annuitants.

"5. (1) Subject to this Act and the regulations, the Minister may, on behalf of His Majesty, enter into a contract

Employee
pensions.

(a) with any person for the payment to employees of an employer of annuities of any type mentioned in section four as pensions or as retirement or superannuation allowances, and

Fraternal
society
pensions.

(b) with any society or association of persons incorporated for fraternal, benevolent or religious purposes for the sale to the members thereof of annuities of any type mentioned in section four.

Eligibility.

(2) No employee and no member of a corporation is eligible to be included for benefit under a contract entered into under subsection one unless he is resident or domiciled in Canada at the time he is so included.

Assignment.

(3) Notwithstanding section ten, a person who has entered into a contract under paragraph (a) of subsection one may, with the consent of the Minister, assign, in whole or in part, his rights under the contract.

Subsection (2), section 4

The authority conferred by subsection 2 of the new section 4 will permit the issue of contracts under which a larger annuity is payable for a specified part of the annuity term than for the remainder of the term. For example, under the authority of this section a contract might provide at the request of the purchaser for payment of an annuity of \$100 per month commencing at age 65 and decreasing to \$60 per month at age 70, having regard for the anticipated receipt by the annuitant of an old age pension of \$40 per month commencing at age 70 granted under the *Old Age Security Act*.

The present section 5 of the Act reads as follows:

"5. The purchaser may, by the payment at any time of a sum of not less than ten dollars, or by the payment of a stipulated sum periodically at fixed and definite intervals, to any agent of the Minister appointed under the provisions of this Act, purchase an annuity under the provisions hereof; Provided, however, that the amount payable by way of the annuity so purchased shall be subject to the terms of section eight."

The present section 5 is repealed as being no longer necessary in view of other provisions of the Act.

The present section 6 of the Act reads as follows:

"6. Any purchaser who has money sufficient for the purpose deposited in any Post Office Savings Bank, may, upon making demand in such form as is prescribed in that behalf by the Postmaster General, authorize the Postmaster General to transfer to the Minister any sum which such purchaser desires to apply to the purchase of an annuity under this Act.

2. Any society or association of persons, being a body corporate for fraternal, benevolent, religious or other lawful purposes, may contract with His Majesty, on behalf of such of its members as are domiciled in Canada, for the sale to such members of annuities otherwise purchasable by them as individuals under this Act; and any sums of money necessary to the carrying out of this object may be paid by such society or association direct to the Minister, or may be deposited in any Post Office Savings Bank, to be transferred by the Postmaster General to the Minister.

3. Employers of labour may, pursuant to agreement entered into with their employees in that behalf, such agreement to be of a form approved by the Minister, contract with His Majesty for the sale to such of their employees, as are domiciled in Canada of annuities otherwise purchasable by such employees as individuals under this Act; and any sums of money necessary to the carrying out of this object, whether such sums are derived from the wages of the employees solely, or partly from the wages of the employees and partly from contributions of the employers, or from the contributions of the employers solely, may be paid by such employers direct to the Minister, or may be deposited in any Post Office Savings Bank to be transferred by the Postmaster General to the Minister; but unless otherwise expressly stipulated, any sums so paid shall be held for the exclusive account of the persons in whose names they were deposited respectively."

Subsection 1 of section 6 of the present Act is repealed as no longer considered necessary.

The new section 5 replaces subsections 2 and 3 of the present section 6 of the Act with the following substantial changes:

Paragraph (a) of subsection (1) of the new section 5 is broader in its definition of the persons with whom contracts for the benefit of employees may be entered into.

Subsection (2) of the new section 5 defines with greater certainty the classes of eligible employees to be included for benefits.

Subsection (3) of the new section 5 is ancillary to the provisions of the new section 6 of the Act.

Group contracts.	(4) Where any person has, before or after the coming into force of this section, entered into a contract with the Minister for the payment of annuities to employees of an employer, the contract is, for the purposes of this Act, deemed to have been entered into with respect to any individual employee, on the day on which the contract became or becomes applicable to the individual employee according to its terms.
Variation of contracts.	"6. Subject to sections four, seven and eight, but notwithstanding any other provisions of this Act, the Minister may enter into an agreement to vary the terms of a contract, or to substitute another contract for a contract containing such terms and with effect upon such date, whether before or after the date of the agreement, as the Minister deems necessary and the Governor in Council by regulation approves.
Interest rates and mortality tables.	"7. (1) All contracts shall be based on interest rates and mortality tables prescribed by regulation and on calculations made in relation thereto, in the manner so prescribed.
Form of contracts.	(2) No contract for the payment of an annuity may be entered into on behalf of His Majesty under this Act unless, the contract is in a form approved by regulation or entry into the contract has been approved by the Treasury Board.
Limitations as to amount.	"8. (1) No contract for the payment of an annuity on the life of a person other than the actual annuitant or for an amount of less than sixty dollars a year shall be entered into under this Act and,
Idem.	(a) in the case of a contract entered into after the coming into force of this subsection, if an annuity of an amount less than sixty dollars a year would be payable, or (b) in the case of a contract entered into before the coming into force of this subsection, if an annuity of an amount less than the minimum permitted under this Act at the time the contract was made would be payable, the contract is void and the amount of the purchase price shall be refunded in accordance with regulations.
Idem.	(2) The total amount that may be paid by way of annuity or annuities to any annuitant, either alone or jointly with another annuitant or both, under this Act, shall not, except where payment is made pursuant to section twelve, exceed twenty-four hundred dollars a year, but, except as provided by regulation, the total amount of the annuity or annuities that may be so paid to an annuitant under any contract or contracts entered into before the coming into force of this subsection, shall not exceed the maximum amount that might have been paid under this Act under that contract or those contracts before the commencement of this subsection.

Subsection (4) of the new section 5 establishes the status of employees under group contracts.

The new section 6 of the Act gives authority for the amendment of contracts entered into under the Act and for the substitution of other contracts therefor.

The present section 7 of the Act reads as follows:

"7. All contracts for the purchase of annuities shall be entered into in accordance with the values stated in tables prepared under regulations made pursuant to section thirteen, and for the time being in use."

Subsection (1) of the new section 7 is in substance the same as the present section 7 of the Act.

The present section 8 of the Act reads as follows:

"8. An annuity shall not be granted or issued on the life of any person other than the actual annuitant, nor for an amount less than ten dollars a year; and the total amount payable by way of annuity or annuities to any annuitant or to joint annuitants shall not exceed twelve hundred dollars a year.

2. Any contract providing for an annuity to commence to be payable at any greater age than eighty-five years shall, as to purchase price, be subject to the same terms as if the age were exactly eighty-five years.

3. When a married man who has purchased an annuity payable to himself applies to have a portion thereof converted into an annuity payable to his wife, or when a married woman who has purchased an annuity payable to herself applies to have a portion thereof converted into an annuity payable to her husband, the Minister may make such conversion, if

- (a) the application is made within the three months preceding the time when the annuity becomes payable; and*
- (b) the annuity so made payable to the wife does not exceed one-half of the husband's annuity, or the annuity so made payable to the husband does not exceed one-half of the wife's annuity; and*
- (c) the provisions of this Act and any regulations made under this Act are complied with."*

The effect of subsections 1 and 2 of the new section 8 is to increase the minimum annuity which may be purchased from \$10.00 to \$60.00 per year and to increase the maximum annuity which may be purchased from \$1,200 to \$2,400 per year.

Idem.	(3) A contract entered into under subsection two of section four that is a combination of types of annuities mentioned in paragraph (a) of that section and provides for a change in the amount of the annuity at a specified time may provide for payment, during the period in which the annuity is at its maximum, of an amount greater than the maximum amount that would otherwise be permitted by subsection two of this section if the annuity payable under the contract does not exceed the actuarial equivalent, of a constant annuity for the maximum amount so permitted in respect of the annuitant, having the same date of commencement and the same term certain, if any, as the annuity payable under the contract.
Refund.	(4) Where the total amount of annuity or annuities that would be payable to an annuitant under contracts exceeds the total amount authorized under subsection two, only the total amount mentioned in subsection two is payable, and the amount of any excess purchase price paid therefor shall be refunded in accordance with regulations.
Maximum age.	(5) Any contract providing for an annuity to commence at any greater age than eighty-five years shall, as to purchase price, be subject to the same terms as if the age were exactly eighty-five years."
Assignment.	<p>3. Section ten of the said Act is amended by adding thereto the following subsection:</p> <p>"(3) Notwithstanding this section, the purchaser of an annuity may assign his rights, in whole or in part, under a contract to the annuitant."</p>
Return of moneys and continuation of payments where annuitant dies.	<p>4. Section twelve of the said Act is repealed and the following substituted therefor:</p> <p>"12. (1) Subject to subsection two</p> <p>(a) where a deferred annuity contract has been entered into and</p> <p>(i) in the case of an annuity described in paragraph (a) of section four, the annuitant dies,</p> <p>(ii) in the case of an annuity described in paragraph (b) of section four, the last survivor dies,</p> <p>(iii) in the case of an annuity described in paragraph (c) of section four, the contract provides that notwithstanding the death of the first annuitant before the annuity becomes payable an annuity is to be paid to the second annuitant, and both annuitants die, or</p>

Subsection (3) of the new section 8 refers to contracts for payment of a changing amount of annuity issued under the authority of subsection 2 of the new section 4 of the Act.

Subsection (4) of the new section 8 gives authority for the repayment of purchase moneys paid in excess of the amount required to purchase the maximum annuity.

Subsection (5) of the new section 8 is the same as subsection 2 of the present section 8.

3. Section 10 of the present Act reads as follows:

"10. Except as otherwise provided in this Act, no property, right, title, benefit or interest in, under, or arising out of a contract for an annuity shall be transferable, either at law or in equity.

2. The Minister shall not receive nor be affected by notice, however given, of any trust affecting an annuity or affecting moneys paid or payable in respect of an annuity."

The new subsection (3) of section 10 will apply in contracts wherein the purchaser and annuitant are different persons.

4. Section 12 of the present Act reads as follows:

"12. When the annuitant or last survivor of joint annuitants dies before the annuity becomes payable, and any moneys have been paid or deposited as consideration for the annuity, such moneys shall be repaid to the purchaser or to his legal representatives, with interest thereon at the rate of four per cent per annum, compounded yearly; but if there is an express agreement between the Minister and the purchaser as to dealing with such moneys, then they shall be paid as provided in such agreement.

(iv) in the case of an annuity described in paragraph (c) of section four to which paragraph (iii) does not apply, the first annuitant dies, before the due date of the first instalment of the annuity and money has been paid as consideration for the annuity, the money shall, except as otherwise provided in the contract, be repaid to the surviving purchaser or to his legal representatives with interest thereon at the rate applicable to the contract compounded annually;

(b) where under an immediate annuity contract the annuity is payable for a term of years certain or for the life of the annuitant or surviving annuitant, whichever is the longer, and the annuitant or surviving annuitant dies before the expiration of the term of years, the annuity payments during the unexpired portion of the term of years shall be made to the surviving purchaser or to his legal representatives; and

(c) where under a deferred annuity contract the annuity is payable for a term of years certain or for the life of the annuitant or surviving annuitant, whichever is the longer, and the annuitant or surviving annuitant dies on or after the due date of the first instalment of the annuity but before the expiration of the term of years, the annuity payments during the unexpired portion of the term of years shall be made to the surviving purchaser or to his legal representatives.

Special
agreement.

(2) The purchaser of an annuity or his legal representatives may at any time enter into an agreement with the Minister for the assignment or other disposition of any payment to which the purchaser or his legal representatives are entitled under subsection one, in which case the payments shall be made in accordance with such agreement.

Rate of
interest.

(3) For the purposes of paragraph (a) of subsection one, the rate of interest applicable to a contract entered into before the coming into force of this subsection is the rate specified in section twelve of this Act as that section existed at the time the contract was entered into."

5. Section thirteen of the said Act is repealed and the following substituted therefor:

Regulations.

"13. (1) The Governor in Council may, on the recommendation of the Treasury Board, make regulations

(a) as to the rate of interest to be allowed

(i) in respect of payments of the purchase price under a contract in which interest is to be credited in respect of the purchase price before calculating the amount of annuity payable; and

(ii) in calculating the amounts of purchase price or of annuities payable under contracts entered into under this Act;

2. When, under the annuity contract, the annuity is payable for a term of years certain or for the life of the annuitant, whichever period shall be the longer, and the annuitant dies before the expiration of the said term of years certain, the annuity shall during the unexpired portion of the said term, be paid to the purchaser or to his legal representatives; but if there is an express agreement to the contrary between the Minister and the purchaser the annuity shall be paid as provided in such agreement."

This section provides for the repayment with interest of the moneys paid in on account of the purchase of an annuity where the annuitant dies before the contract matures. It also gives direction for continuation of annuity payments where an annuitant dies after the contract matures but before the expiry of the period of payment guaranteed under the contract.

Apart from changes for purposes of clarification, the only change in substance in the new section is to provide that the interest rate applicable to the repayment of purchase moneys under future contracts shall be the rate of interest applicable to the contract rather than the statutory rate stipulated in the present section 12.

Subsection (3) of the new section twelve provides, in the case of contracts entered into before the coming into force of the new section, for the continued application of the provision for payment of interest as it stood at the time the contract was entered into.

5. Section 13 of the present Act reads as follows:

"13. The Governor in Council may make regulations not inconsistent with this Act,

- (a) as to the rate of interest to be allowed in the computation of values in the tables hereinafter referred to; and as to the rate of interest to be employed in valuing the annuities as provided for in subsection two of section fifteen;
- (b) as to the preparation and use of tables for determining the value of annuities; and the revocation of all or any such tables and the preparation and use of other tables;
- (c) as to the mode of making, and the forms of, contracts for annuities, including all requirements as to applications therefor;
- (d) as to the selection of agents of the Minister to assist in executing the provisions of this Act, and the remuneration, if any, to such agents therefor;
- (e) as to the modes of proving the age and identity and the existence or death of persons;
- (f) as to the modes of paying sums of money payable under this Act;
- (g) as to dealing with an application of unclaimed annuities;
- (h) for the doing of anything incidental to the foregoing matters, or necessary for the effectual execution and working of this Act and the attainment of the intention and objects thereof."

- (b) as to the mortality tables to be employed in calculating the amounts of annuities payable under contracts;
- (c) as to the method of calculating, by the establishment of tables for such purpose or otherwise, the purchase prices or the amounts of annuities payable under contracts;
- (d) as to the mode of making, terms or conditions, including payment of interest, and forms of contracts for annuities and mode of making other agreements under this Act including all requirements as to applications therefor;
- (e) authorizing the surrender of the right to receive an annuity before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor, and prescribing the circumstances in which, the person to whom and the conditions, including the payment of interest, if any, under which repayment may be made;
- (f) for the refund of amounts paid on account of the purchase price of annuities where such refund is authorized by this Act or where the amount was not applied towards the purchase price of an annuity and prescribing the person to whom and the conditions, including payment of interest, if any, under which repayment may be made;
- (g) as to the selection of agents of the Minister to assist in executing the provisions of this Act, and for the remuneration, if any, to such agents therefor;
- (h) as to the modes of proving the age and identity and the existence or death of persons;
- (i) as to the modes of paying sums of money payable under this Act;
- (j) as to the disposal of unclaimed annuities; and
- (k) for the doing of anything that is to be done in accordance with regulations or incidental to the foregoing matters, or necessary for the effectual execution and working of this Act, and the attainment of the intention and objects thereof.

Review.

(2) The Minister shall cause a review of the mortality experience in respect of annuities paid under this Act to be made not less frequently than once in each period of five years to determine whether or not the purchase price of new annuities should be changed, the review to be made in such manner and by such persons as the Minister, with the approval of the Treasury Board, prescribes.

The new subsection (1) of section 13 replaces section 13 of the present Act.

Subsection (1): Paragraphs (a), (b) and (c) replace paragraphs (a) and (b) of the present section 13 of the Act.

Paragraph (d) is substantially paragraph (c) of the present section 13.

Paragraph (e) is new and gives authority to make regulations providing for cash surrender privileges.

Paragraph (f) is new and gives authority to make regulations governing refund of amounts paid on account of the purchase price of an annuity.

Paragraphs (g), (h) and (i) are the same as paragraphs (d), (e) and (f) of the present section 13.

Paragraphs (j) and (k) are substantially paragraphs (g) and (h) of the present section 13.

Subsection 2 of section 13 is new and provides for a periodic review of the mortality experience.

Basis
for fixing
interest rate.

(3) Where the Governor in Council fixes a rate of interest under paragraph (a) of subsection one, the rate shall be based as nearly as, in the opinion of the Governor in Council, is practicable, on the average rate of return then yielded by bonds of the Government of Canada that will be outstanding for a period of twelve years or more before maturity or, if callable before maturity, before the day on which they may be called for payment."

6. Section fifteen of the said Act is repealed and the following substituted therefor:

Government
Annuities
Account.

"15. (1) There shall be a special account in the Consolidated Revenue Fund to be called the Government Annuities Account, to which shall be credited all moneys received and to which shall be charged all moneys paid under this Act.

Interest
rates and
mortality
tables.

(2) The liability outstanding at the end of each fiscal year arising out of contracts entered into under this Act shall be calculated on the basis of such rate of interest and such mortality tables and in such manner as may be approved for that purpose by regulation.

Credits to
Account.

(3) If at the end of any fiscal year the liability calculated under subsection two is greater than the balance of the Government Annuities Account at the end of such fiscal year, there shall be credited to the Account and charged as an expenditure an amount equal to the excess of the liability over the balance of the Account.

Charges to
Account.

(4) If at the end of any fiscal year the liability calculated under subsection two is less than the balance of the Government Annuities Account, there shall be charged to the Account and credited as revenue an amount equal to the amount by which the balance of the Account exceeds the liability."

Coming into
force.

7. This Act shall come into force on a day to be fixed by proclamation.

Subsection (3) is new. It establishes the basis to be used in fixing the rate of interest applicable to annuity contracts.

6. The present section 15 of the Act reads as follows:

"15. An account shall be kept, to be called the Government Annuities Account, of all moneys received and paid out under the provisions of this Act, and of the assets and liabilities appertaining to the grant of annuities under the said provisions; and among the liabilities included in the said account at the end of each fiscal year shall appear the present value of the prospective annuities contracted for up to the end of such fiscal year.

2. The present value referred to in the preceding subsection shall, as to interest, be calculated upon such rate as is fixed by the Governor in Council, and, as to mortality, upon such rates as are used in preparing the tables approved of by the Governor in Council and for the time being in use, as provided for in paragraph (b) of section 13."

Subsections (1) and (2) of the new section 15 are substantially the same as subsections 1 and 2 of the present section.

Subsections (3) and (4) make provision for keeping the Government Annuities Account in balance. This provision is in accordance with the practice now followed.

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HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament
1951

(Second Session)

STANDING COMMITTEE

ON

INDUSTRIAL RELATIONS

Chairman—Mr. A. FRED MACDONALD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

BILL No. 23

An Act to amend the Government Annuities Act

WEDNESDAY, DECEMBER 5, 1951

THURSDAY, DECEMBER 6, 1951

WITNESSES:

Mr. C. R. McCord, Director, Annuities Branch;

Mr. A. H. Brown, Executive Officer and Solicitor, Department of Labour.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

WEDNESDAY, December 5, 1951.

The Standing Committee on Industrial Relations met at 9.30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Balcer, Black (*Cumberland*), Boucher, Brown (*Essex West*), Bryce, Carroll, Cloutier, Croll, Gauthier (*Sudbury*), Gillis, Knowles, Lennard, Macdonald (*Edmonton East*), McWilliam, Nixon, Pouliot, Ross (*Hamilton East*), Wylie and Fairclough (Mrs.).

In attendance: Hon. M. F. Gregg, V.C., Minister of Labour; Mr. C. R. McCord, Director, Mr. J. E. Davidson, Assistant Director, and Mr. J. G. Fletcher, Actuary, Annuities Branch; Mr. A. H. Brown, Executive Officer and Solicitor, Department of Labour.

The Chairman read into the record a letter received from the Life Underwriters Association of Canada.

The Committee resumed consideration of Bill No. 23—An Act to amend the Government Annuities Act.

Clauses 3 and 4 were adopted.

On Clause 5:

Mr. Knowles moved: That consideration of paragraph (e) of new subsection (1), Section 13 of the Act be deferred until the next meeting. Motion carried.

Paragraphs (a), (b), (c), (d) and (f) of new subsection (1), section 13 of the Act, were adopted.

On motion of Mr. Bryce, the Committee adjourned at 11.00 o'clock a.m. until 9.30 o'clock a.m. Thursday, December 6, 1951.

THURSDAY, December 6, 1951.

The Standing Committee on Industrial Relations met at 9.30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Balcer, Black (*Cumberland*), Breton, Brown (*Essex West*), Bryce, Byrne, Carroll, Côté (*Verdun-LaSalle*), Croll, Gauthier (*Sudbury*), Gillis, Knowles, Lennard, Macdonald (*Edmonton East*), McWilliam, Nixon, Pouliot, Viau, and Fairclough (Mrs.).

In attendance: Hon. M. F. Gregg, Minister of Labour; Mr. A. MacNamara, Deputy Minister of Labour, Mr. C. R. McCord, Director, Mr. J. E. Davidson, Assistant Director, and Mr. J. G. Fletcher, Actuary, Annuities Branch; Mr. A. H. Brown, Executive Officer and Solicitor, Department of Labour.

The Chairman read into the record a letter from the Trades and Labour Congress.

Mr. Balcer having asked for leave to move an amendment to Clause 2 of the Bill, the Committee agreed to consider his request as a Notice of Motion for the next sitting.

On Clause 5:

Paragraphs (g), (h), (i), (j), and (k) of new subsection (1) of Section 13 of the Act were adopted.

New subsections (2) and (3) of Section 13 of the Act were adopted.

Clauses 6 and 7: adopted.

The Committee reverted to Clause 5 and continued discussion on paragraph (e) of new subsection (1), Section 13 of the Act.

At 10.30 o'clock a.m., on motion of Mr. Brown (*Essex West*), the Committee adjourned to the call of the Chair.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

DECEMBER 5, 1951.

9:30 a.m.

The CHAIRMAN: Mrs. Fairclough and gentlemen, we have a quorum.

I have a letter here addressed to myself as chairman of the standing committee on industrial relations from Mr. Dunstall.

Mr. BYRNE: Mr. Chairman, has it been before the steering committee?

The CHAIRMAN: It has not.

Mr. BROWN: Do you not think it should be referred to that committee?

The CHAIRMAN: We have not had an opportunity of having a meeting of the steering committee since Monday.

Mr. BROWN: I think all this correspondence should be referred to the steering committee. That is the general rule.

Mr. BRYCE: How many attended the last meeting of the steering committee?

The CHAIRMAN: Three.

Mr. CÔTÉ: Well, Mr. Chairman, what is the purpose of the letter?

The CHAIRMAN: It is from Mr. Dunstall, the general manager of the Life Underwriters Association, who says that he wishes to clarify one point which was asked the other day. I would like the permission of the committee to read this letter.

Mr. CÔTÉ: Yes, that would be in order, Mr. Chairman.

The CHAIRMAN: This letter is from the Life Underwriters Association of Canada under date of December 4, 1951 addressed to myself as chairman of the standing committee on industrial relations, and it reads as follows:

Dear Mr. Macdonald:

Just a line to thank you very sincerely for the courtesies which you extended to myself and the other members of our delegation when we made our submission to the committee on Industrial Relations on Friday last. You certainly gave us every consideration and I do want you to know that we appreciated it and I will certainly look forward very much to meeting you again at some time in the future.

There was one point which was brought up Friday morning by Mr. Knowles and which I wish we had covered. Mr. Knowles suggested that subsidies were not uncommon around Ottawa. I would like to have pointed out that to my knowledge every other subsidy, while it is to the benefit of the consumer, is also definitely not at the expense of the producer or industry concerned but rather the contrary.

I believe I can say that the subsidy on annuities is the only subsidy which, while it is designed to benefit the purchaser, is also, however, decidedly detrimental to the industry involved, namely the institution of life insurance. If the practice which applies to other subsidies were applied here then the government would be paying to the life insurance companies a percentage of all premiums paid on annuity contracts, the premiums being paid by the purchasers being reduced by the amount of the subsidy.

I just mention this as it would seem that in the mind of Mr. Knowles, and possibly some others, the subsidy paid in this regard is comparable to that paid in other fields.

Once again many thanks for the courtesies extended to our group.
With kind personal regards,

Yours sincerely,

Sgd. L. W. Dunstall,
General Manager.

Mr. KNOWLES: Before you put that letter on the record may I have just a moment in which to say that there are subsidies paid not only to consumers, but there are many subsidies paid to industry, both directly and indirectly; and that was the class of thing which I had in mind the other day.

The CHAIRMAN: It is moved by Mr. Knowles that this letter be placed on the record. Is that agreeable to the committee?
Carried.

Now, we commence this morning on page 4 of bill number 23, at clause 3.

3. Section ten of the said Act is amended by adding thereto the following subsection:

"(3) Notwithstanding this section, the purchaser of an annuity may assign his rights, in whole or in part, under a contract to the annuitant."

Shall clause 3 carry?

Mrs. FAIRCLOUGH: Mr. Chairman, I believe when we left off the other day we had just finished with clause 2; and then on clause 3 there was some discussion on the assignment of rights in the general discussion the other day.

The CHAIRMAN: You mean section 3 of clause 2?

Mrs. FAIRCLOUGH: Assignment of contracts. What are we starting on now?

The CHAIRMAN: We are on clause 3.

Mrs. FAIRCLOUGH: Yes. There was some discussion the other day as to the purchaser who might want to assign certain rights under the annuity contracts. Inasmuch as that discussion was not completed or extended to any degree I wonder if we could go into this matter of assignment of rights, and possibly Mr. McCord or someone else in the department could tell us how wide a field is usually covered in these contracts; that is, have there been any assignments which had been made or used for members of the immediate family; or, what has been the experience in the past?

Mr. C. R. McCord, Director, Annuities Branch, Department of Labour, recalled:

The WITNESS: Yes, as a matter of fact at the present time we have not had any provision for assignment. That is the purpose of this section.

By Mrs. Fairclough:

Q. But you have received applications and representations have been made to you which must have prompted you to ask for the inclusion of this clause.—A. That is right. Our situation is simply this: The purpose of this section is to permit the purchaser to assign to the annuitant all his right so as to improve the position of the annuitant. The annuitant may then change the plan—vary the date of maturity or change the beneficiary, and that is desirable for a parent for example, who purchases an annuity for his child

and when that child grows up and gets a job of his own his parent may wish to turn the contract over to him and say; well, I started you on this, you can keep it up. Well, at the present time should anything happen to that child or the annuitant the money goes back to the purchaser or to the estate of the purchaser even if he is no longer around; and that in all probability is not the intention of the purchaser in the first instance; so this is to enable the purchaser to assign his contract to protect the interests of the annuitant, and it gives the annuitant all the rights and benefits which he should have under it.

Q. Now that brings up the point raised in connection with the parent-child type of contract. It is quite possible, is it not, for a parent to purchase a contract for a child and take it out in the child's name as though he were the purchaser?—A. Yes.

Q. In which event you would have no record of the fact; well, you would suspect, for instance, that a child of tender years was certainly not earning enough to make his own payments?—A. That is true.

Q. Nevertheless, there is nothing legally to say that the purchaser is actually the parent. And now, what happens if anything happens to that child, what happens to the contract?—A. There is just this about it, that a child under age has no legal capacity to enter into a contract.

Q. But contracts of that kind are taken out, are they not?—A. They take them out, they can be taken out, but it is usually the parent who signs for the child.

Q. I think this is the point at which I should bring up this letter which I discussed the other day and which I passed over to you, or to Mr. Fletcher, where the annuitant left the employ of an institution and received a paid up contract for a certain amount. However, his annuity had been a 4 per cent annuity and because—Mr. Fletcher might care to explain how this is—but because of the terms under which the annuity was taken out, this particular man had paid 100 per cent of his subscription to the time of leaving the employ of this institution; now he cannot carry on that contract, to continue paying on it as he had hoped he would be able to do. I wonder if that is not the proper place where some change should be made in the Act to permit these people to take out these contracts and continue them. I believe that in times past there was such a provision.—A. Yes, there used to be.

Q. I wonder if Mr. Fletcher would make a few comments on that?

Mr. FLETCHER: Mr. Chairman, it was the practice of the branch until a few years ago to offer to an employee leaving a pension plan the privilege of continuing to contribute on the same basis at which he entered the pension plan. In other words, he could carry on and buy himself more annuity just tacking it on to what he had. Then some income tax complications arose and we said to him "You better have a new contract because your pension and the individual purchase will be different as to taxation," and that worked out very nicely because during these years the premium rates were the same. Of course, when the rates were increased in 1948 you could not advise the man to take a new contract because he would have to come in at the higher rates, so we explained the situation to him and hoped that eventually there would not be any tax complications. Later on we were told that we had no contract with the employee and, therefore, when he left he had no contractual right to continue the annuity. Our contract is with the employer to provide pensions for his employees, and when the employee left he was out of the deal completely. That left us in rather a fix because we had a great many promises in writing stating that the employee who withdrew from a pension plan could continue. That situation was corrected with respect to promises already made; it was found that we had authority to create a special class of purchasers by order in council, so that these people to whom we had

made promises could actually continue their purchases. They got a new contract at the old rate. However, we could not make the same mistake twice in the eyes of the law, so in any new group plan set up we could not offer this privilege. Now, it is an interesting point to debate, whether we should grant that privilege to continue or whether we should not, but what I have said gives you the background of the situation.

Mrs. FAIRCLOUGH: Well, Mr. Chairman, I think Mr. Fletcher has clarified his department's stand on it but, as he said, it does raise a very interesting point. It does not seem fair to me, particularly in the case of a man who has paid 100 per cent contributions—and I might interject here that Mr. Fletcher explained to me in a conversation between us that eventually the employer would have paid in but the time had not yet been reached in the term of the contract where the employer participated in the payments. Particularly where the employee has paid 100 per cent of his subscription it does not seem fair that upon terminating his employment he should have no right to continue that contract. This is more than ever true in the case of this particular contract, and I dare say there are many more like this one in which the contract which he had originally entered into was a 4 per cent annuity and he has lost, for the present and probably for all time, the right to a 4 per cent annuity under the government annuities plan.

Mr. KNOWLES: Do not be too pessimistic about that. The interest rate might be raised.

Mrs. FAIRCLOUGH: I am pessimistic about it. I would not at this point take a stand on it and say it should be 4 per cent or 3 per cent or any other rate—I am not arguing that at the moment. What I am saying is he has lost the advantage he had under this 4 per cent contract and the amount of payments which he made into it. Have you the figures, Mr. Fletcher? Could you tell me how much he would be entitled to in his paid up contract?

Mr. FLETCHER: From memory, he had an annuity of about \$80 a year, which was probably worth about \$175.

Mrs. FAIRCLOUGH: Well, I think, Mr. Chairman, that we should consider this point of whether or not some changes should be made to permit these annuitants to carry on these contracts when they leave their employment in any group that has a contract.

Mr. A. H. BROWN: Mrs. Fairclough, the group contract in which the employee has participated, of course, is an employee retirement pension plan, and the conditions are laid down in the contract. The employee in subscribing to the plan has subscribed to those conditions, and if he leaves his company's employ before the full retirement pension is payable he gets just exactly what the contract and the annuity plan provides. Now, if he wants to buy, after leaving the company, an additional annuity he is exactly in the same position as any other person who is buying an additional annuity of that kind. In other words, he has to pay for that annuity at the current price. What you are suggesting is that you are giving to the person who is an employee under the pension plan an additional right which is not available to the ordinary individual.

Mrs. FAIRCLOUGH: Well, he has a right to the advantage, I would think, which has been created partly of his own volition. We all throughout life take advantage of circumstances as they present themselves to us, and I would say that the man has a right to the advantage which he has taken.

Mr. A. H. BROWN: There are two entirely different contracts. One is a pension plan and the other is his own individual purchase.

Mrs. FAIRCLOUGH: Well, he has taken advantage of a pension plan which was available to him. Quite possibly he would have no choice whatever in a great many cases; he could not say to his employer "I do not want to partici-

pate in your pension plan because I am going to buy mine by myself". It would even be part of the conditions of his employment that he would enter into the pension plan.

Mr. A. H. BROWN: Suppose that it is a non-contributory plan with the employer being the only one who contributes to the fund. Are you prepared to carry through the advantage there?

Mrs. FAIRCLOUGH: I am not prepared to go as far as that. I would, if the employer as set out in the Act, assigns to the employee, yes.

Mr. BROWN (*Essex West*): In the case of a pension plan which has been contributed to by employee and employer, it is as the result of negotiations, is it not, as between employee and employer? It is always the case?

Mr. A. H. BROWN: In a contributory plan, yes.

Mr. BROWN (*Essex West*): And it is in lieu of a raise in wages?

Mr. A. H. BROWN: I do not know.

Mr. BROWN (*Essex West*): It is the result of labour negotiations?

Mr. LENNARD: Not necessarily.

Mr. BROWN (*Essex West*): And sometimes in lieu of a raise in wages he gets a certain pension plan, is that not a fact?

Mrs. FAIRCLOUGH: I think those would be the exception rather than the rule, Mr. Chairman.

Mr. BROWN (*Essex West*): I am only asking if that is so.

Mrs. FAIRCLOUGH: When you say he bargains with the employer, he does not do it in an individual capacity, he accepts what has been arranged for him on a broad scheme for all the employees of that individual plant.

Mr. LENNARD: And he can take it or leave it.

Mrs. FAIRCLOUGH: That is right.

Mr. A. H. BROWN: That may be the result when the pension plan is the subject matter of negotiations, or having an unorganized plant you reach an agreement as a group of employees with the employer as to the terms of the pension plan.

Mr. BROWN (*Essex West*): If it is not in lieu of wages it is a point in favour of Mrs. Fairclough's argument.

Mr. A. H. BROWN: That is a matter of opinion, I suppose, in each case.

The CHAIRMAN: Does clause 3 carry?

Mrs. FAIRCLOUGH: I think as far as clause 3 is concerned it is all right.

The CHAIRMAN: Are there any further questions?

Mrs. FAIRCLOUGH: I have no further questions if the rest of the committee is not prepared to consider this suggestion.

Mr. KNOWLES: Would Mr. Brown or Mr. McCord see any distinction between an employee leaving a plan and wanting to carry it on his own as a personal annuity or transferring it to a plan with another firm?

Mr. A. H. BROWN: On the question of transferring it to another plan, that is a matter that the employee himself has no option on. The employer in the new firm must be prepared to recognize the past services of the employee in the first firm.

Mr. KNOWLES: If he is prepared to do it does the Act permit it?

Mr. A. H. BROWN: There is a provision in the Act relating to permitting the purchaser of a group contract to assign rights, and the purpose of that is to take care of a situation where you have a change of ownership in the business in which a group plan has been established in order to permit the continuity of the pension contract. Now, we have not thought beyond that

point. We have not run into a situation where we felt it was practicable to provide for an individual employee taking his annuity rights under a group pension plan and carrying them forward as an individual into a new firm in which he is employed.

Mr. KNOWLES: It seems to me at some stage of the game you are going to have to think of something in the nature of a master plan which would permit mobility of retirement rights. One of the difficulties with these plans as they now stand is that they tend to freeze workers in certain employment, and they have to consider when changing employment whether the advantages to be gained compensate for a loss of this kind.

Mr. A. H. BROWN: I entirely agree with you that it is a desirable objective, but that is the weakness of all these voluntary pension plans, the difficulty of carrying through continuity, carrying your pension with you as you move from one employer to another. That is the weakness at the present time and I do not see how you can get away from it until you reach the point where the industry is willing to come in on an over-all plan on which they are prepared to recognize services within the industry as service for the purpose of the pension plan.

Mr. KNOWLES: I think industry could be encouraged to see it is working to its advantage as well as its disadvantage. Let me put it this way, a firm such as you mentioned a moment ago, might hesitate to go into it, thinking only of its employees who go away and carry their vested rights with them. On the other hand it may be of advantage to them in that they could get employees they cannot now get from another firm. I think you could work out something that would provide for mobility of these retirement pensions, and it would be in keeping with the whole principle and purpose of group contracts.

Mr. BROWN (*Essex West*): It would have to apply to farmers as well. For instance, a person could be working for a farmer one part of the year and then go into industry.

Mr. KNOWLES: I have no objection to it, but I do not suppose there are many group contracts involving farm workers.

Mr. A. H. BROWN: We have none.

The CHAIRMAN: Is clause 3 carried?

Carried.

Then we come to clause 4.

Mr. KNOWLES: May I ask a question in relation to lines 9 and 10 on page 5, where the words appear, "with interest thereon at the rate applicable to the contract compounded annually". Would one of the officials explain that in relation to contracts issued prior to April, 1948, in relation to contracts issued between April, 1948, and the passing of this Act, and contracts issued after the passing of this Act?

Mr. McCORD: The present section 12 was enacted at a time when the Interest rate applicable to annuities was fixed at 4 per cent. The intention was where purchase moneys were refunded the purchaser would be entitled to interest at the same rate as applicable to the contract he carried through to maturity, so that the rate of 4 per cent is specified right in the Act. In view of the fact the current rate of interest is now less than 4 per cent and can be varied from time to time, it has been necessary to amend the section in order that its provision would conform to the present annuity rate and possible future changes. The new subsection provides that the rate payable on purchase money refunded under circumstances set forth in the section shall be at the rate applicable to the purchase of the annuity under the contract. Now, as far as existing contracts are concerned, prior to 1948 and up to date, they will

carry the rate of interest on death benefits which applied at the time that the contract was taken out. In other words, it will not affect contracts in existence.

Mr. KNOWLES: I take it in case there were any doubt on that point that it is covered by subclause (c)?

Mr. McCORD: That is right.

Mr. KNOWLES: Just to have the information on the record I take it with contracts issued prior to April 1948, which are surrendered because of premature death and the money paid back, interest is paid at the rate of 4 per cent?

Mr. McCORD: That is right.

Mr. KNOWLES: In the case of contracts issued since April 1948, even though annuities paid on them would be based on a 3 per cent interest rate, if the person dies his heirs get 4 per cent?

Mr. McCORD: That is right.

Mr. KNOWLES: From here on whatever rate is used in computing the annuity will be the rate used in the case of death prior to maturity?

Mr. McCORD: That is right.

Mr. KNOWLES: Have there been many cases of contracts taken out since 1948 where death has occurred and the 4 per cent repayment has applied?

Mr. McCORD: Oh, yes.

Mr. KNOWLES: Would you say there would be any taken out for that purpose?

Mr. McCORD: I wouldn't say they were taken out for that purpose. In other words, people do not buy an annuity to die, they buy it to live.

The CHAIRMAN: Are there any further questions on subsection 1?

Mrs. FAIRCLOUGH: In clause (b), starting at line 15, it says:

—the annuity payments during the unexpired portion of the term of years shall be made to the surviving purchaser or to his legal representatives.

Now, does this mean in the event of there being no survivor it goes to the estate?

Mr. McCORD: That is right.

Mrs. FAIRCLOUGH: Are these payments going to be made for the term of the contract.

Mr. McCORD: Yes, for the guaranteed period.

Mrs. FAIRCLOUGH: It would have the effect of keeping an estate open which might not otherwise be open?

Mr. BROWN (*Essex West*): Is that a good thing?

Mr. LENNARD: No, it isn't. Somebody collects all the estate in legal fees.

Mr. BROWN (*Essex West*): Is that a good thing?

Mr. LENNARD: No; somebody collects all the estate in legal fees.

Mr. CÔTÉ: He is really speaking as a lawyer.

The WITNESS: There is really no change in this section from that of the existing Act.

By Mrs. Fairclough:

Q. No, I realize that.—A. Yes, that is correct, and it is paid for the balance of the guarantee period.

Q. What has been the experience of the department in that section?—A. Well, we have not had any difficulties with it. There have been cases where there may have been a number of heirs in an estate where it is not possible

to send out a \$100 cheque so that it can be divided up. Where they are perhaps anxious to close the estate and where we have, under the circumstances, been able to commute the values and wind it up, we have done so.

Q. That is exactly the point I was trying to make. In certain cases you do make a commutation of the annuity and pay it in a lump sum?—A. That is right.

The CHAIRMAN: Does clause 4 carry?

Mrs. FAIRCLOUGH: In its entirety?

The CHAIRMAN: I thought we had discussed subsections 1, 2, and 3.

Mrs. FAIRCLOUGH: We were just discussing 1 (b) now.

Mr. LENNARD: You have not gone beyond that.

Mr. BROWN (*Essex West*): Well, ask a question. You can always refer back to it in any event—in this committee.

The CHAIRMAN: Shall subsection 1 of clause 4 carry?

Carried.

Subsection (2)?

Carried.

Subsection (3)?

Carried.

Does the clause carry?

Carried.

Next is clause 5.

5. Section thirteen of the said Act is repealed and the following substituted therefor:

“13. (1) The Governor in Council may, on the recommendation of the Treasury Board, make regulations

(a) as to the rate of interest to be allowed

(i) in respect of payments of the purchase price under a contract in which interest is to be credited in respect of the purchase price before calculating the amount of annuity payable; and

(ii) in calculating the amounts of purchase price or of annuities payable under contracts entered into under this Act;

(b) as to the mortality tables to be employed in calculating the amounts of annuities payable under contracts;

(c) as to the method of calculating, by the establishment of tables for such purpose or otherwise, the purchase prices or the amounts of annuities payable under contracts;

(d) as to the mode of making, terms or conditions, including payment of interest, and forms of contracts for annuities and mode of making other agreements under this Act including all requirements as to applications therefor;

(e) authorizing the surrender of the right to receive an annuity before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor, and prescribing the circumstances in which, the person to whom and the conditions, including the payment of interest, if any, under which repayment may be made;

(f) for the refund of amounts paid on account of the purchase price of annuities where such refund is authorized by this Act or where the amount was not applied towards the purchase price of an annuity and prescribing the person to whom and the conditions, including payment of interest, if any, under which repayment may be made;

- (g) as to the selection of agents of the Minister to assist in executing the provisions of this Act, and for the remuneration, if any, to such agents therefor;
- (h) as to the modes of proving the age and identity and the existence or death of persons;
- (i) as to the modes of paying sums of money payable under this Act;
- (j) as to *the disposal* of unclaimed annuities; and
- (k) for the doing of *anything that is to be done in accordance with regulations* or incidental to the foregoing matters, or necessary for the effectual execution and working of this Act, and the attainment of the intention and objects thereof.

(2) The Minister shall cause a review of the mortality experience in respect of annuities paid under this Act to be made not less frequently than once in each period of five years to determine whether or not the purchase price of new annuities should be changed, the review to be made in such manner and by such persons as the Minister, with the approval of the Treasury Board, prescribes.

Before we get into a discussion of clause 5 I believe there will be a good deal of discussion on two points. I refer to line 12 on page 6 and continuing down for (e) and (f). Probably we could discuss the balance of the clause and leave that part for the time being.

Mrs. FAIRCLOUGH: I think you are right. I would not be surprised if it took a whole session of this committee to discuss that one clause. Are you planning to adjourn at 11 o'clock?

The CHAIRMAN: Yes, Mrs. Fairclough.

Mr. BROWN (*Essex West*): Before that.

Mrs. FAIRCLOUGH: Possibly it would be as well to leave that for another meeting.

The CHAIRMAN: The whole of clause 5?

Mrs. FAIRCLOUGH: It is all related.

The CHAIRMAN: Paragraphs (a), (b), (c) and (d) are revisions of present paragraphs.

Mrs. FAIRCLOUGH: Yes, but the other matter comes in on (f) anyway.

The CHAIRMAN: What is your wish?

Mr. CARROLL: Do you sense there will be a lot of controversy over this?

The CHAIRMAN: I do.

Mr. KNOWLES: Has a brief come in?

The CHAIRMAN: Yes—

Mr. KNOWLES: You do not mean there has been a subsequent brief?

The CHAIRMAN: No, but I sense that to get agreement on this point it might take a lot of discussion and we might put it over until we can have time at another meeting to discuss it. However, I am in the hands of the committee.

Mr. KNOWLES: I would prefer that because, like others, I have another committee to attend. In fact I should be there now.

Mr. CÔTÉ: We could leave subsection (e) standing and go into consideration of the rest of the section. There is no direct relation between (e) and (f).

Mrs. FAIRCLOUGH: There are some other points when you come to (f). You also get involved in this \$60 minimum.

Mr. LENNARD: (f) ties in with (e).

Mr. CÔTÉ: We could consider the rest of the section.

The CHAIRMAN: Would you so move?

Mr. KNOWLES: On behalf of those who have to leave I am asking whether this could be left over to another meeting?

The CHAIRMAN: If you so desire we can do that, Mr. Knowles.

Mr. KNOWLES: I so move.

Mr. CÔTÉ: Except that we would have time before 11 o'clock to get to this subsection (e) and start the discussion.

Mr. GILLIS: Why not go on with it to the spot where it gets sticky. It may not get sticky.

The CHAIRMAN: The motion is that we discuss clause 5 except for paragraph (e) of subsection (1) of section 13 of the Act. Shall the motion carry?

Carried.

Mr. BALCER: I would like to ask a question on the first line of section 13 of the Act where it says "the Governor in Council may, on the recommendation of the Treasury Board, make regulations"—and so forth. In the present Act we have the words "not inconsistent with this Act." I wonder if the witness could tell us why those words have been left out?

Mr. KNOWLES: No, he wants consistency.

Mr. A. H. BROWN: We have spelled out more specifically in new section 13 the authority which is given to the Governor in Council to make regulations.

Mr. BALCER: Does it mean that the Governor in Council may make regulations that are not consistent with this Act?

Mr. A. H. BROWN: No.

Mr. CARROLL: In other words, to make laws?

Mr. BALCER: That would be giving the power of making law—and that is what we want to avoid.

Mr. KNOWLES: That is what we try to avoid.

Mr. A. H. BROWN: In the language of the original Act that phrase which you mention was surplusage, as far as the draftsman was concerned. You cannot make regulations, in any event, that are inconsistent with the provisions of the Act. In other words, you cannot make regulations which you are not given authority to make under the Act. The draftsman in drafting the new section simply dropped some words that meant nothing.

Mr. BALCER: Experience shows—

Mr. CARROLL: Very often when the words "not inconsistent with this Act" are not there, they take advantage of it and do pass laws. That is what brings in hundreds of cases to the courts—they are trying to find out whether they have that power.

Mr. A. H. BROWN: All regulations today pass through the Department of Justice for scrutiny. That is one of their duties—to see that regulations which are passed are consistent with the provisions of the Act or within the authority of the Act.

Mr. BALCER: There has been a tendency for quite a while for the government to pass orders in council, and sometimes a lot of opposition members have been under the impression that they were going a little too far. That is why I feel a bit worried about dropping these words. They are a sort of protection?

Mr. A. H. BROWN: Well, we followed the drafting of the Department of Justice.

Mr. KNOWLES: The government may not break the law, but they can bend it sometimes!

Hon. Mr. GREGG: Those words would not help them in that.

The CHAIRMAN: In clause 5 shall section 13 (1) (a), (b), (c) and (d) carry?

Mr. KNOWLES: Before you carry those may I just say a word. I do have to leave but I would like to say that I think the most important aspect of this whole matter is what the Governor in Council does after the legislation is passed. The legislation itself does not do very much. It just provides permission to the Governor in Council to do certain things. I think it is extremely important, once this legislation has been passed, that the Governor in Council exercise properly its power to make regulations as to the rate of interest. I note that the government is instructed by the Act to set those rates in relation to the interest on long term government bonds. The important thing is that they use that power to adjust those rates to a more realistic basis, and I hope that they will do so.

Mrs. FAIRCLOUGH: They have had that power right along.

Mr. CARROLL: Does the Act make provision now for the rates of interest?

The WITNESS: Yes, the regulations do so at the present time.

Mr. CARROLL: Does this Act that we are revising not make statutory regulations as to interest?

The WITNESS: No, only on the death benefit which we were speaking of awhile ago.

Mr. CARROLL: Oh yes.

The WITNESS: That is specific in the present Act.

Mrs. FAIRCLOUGH: But the interest rate has been changed from time to time by order in council.

The WITNESS: From time to time, yes, by order in council.

Mrs. FAIRCLOUGH: It has never been changed by an amendment to the Act.

The CHAIRMAN: Do paragraphs (a), (b), (c), and (d) carry?

Mr. KNOWLES: Was there anything in the old Act comparable to paragraph 3 at the top of page 7 which really relates to the clause we are discussing, because it stipulates the basis to be used by the Governor in Council in fixing the rates? That was my point. That basis was not there before, and thanks to Mr. Côté asking me what I meant by "realistic", I may say that when I said "realistic", I meant up. My point was that I thought once they had this power they should use it to increase the interest rate.

Mr. CÔTÉ: That would work both ways.

The CHAIRMAN: Do paragraphs (a), (b), (c) and (d) carry?
Carried.

Paragraph (e) stands.

Now we are on paragraph (f) at line 19 of page 6.

(f) for the refund of amounts paid on account of the purchase price of annuities where such refund is authorized by this Act or where the amount was not applied towards the purchase price of an annuity and prescribing the person to whom and the conditions, including payment of interest, if any, under which repayment may be made;

By Mrs. Fairclough:

Q. Mr. Chairman, this paragraph provides for the refund of amounts paid on account of the purchase price of annuities where such refund is authorized by this Act. I made a comment about it a minute or two ago and I would like to know which refunds are referred to?

Mr. McCORD: Any refund, Mrs. Fairclough.

Q. Any refund at all?—A. Yes. This is the section which authorizes money to be paid out, and how it should be done.

Q. Such as the point we discussed in Section 12, subsection 1 (b)?—A. Yes.

Q. Such as the commutation of annuities?—A. That is right.

Q. And anything of that nature under the Act?—A. Yes, and it also applies to surplus payments; for example, a person may pay in money at the time he makes his application, but when there has been some other checking done, it may be found that he has paid in too much.

Q. You mean that they have paid in more than is required to produce an annuity of \$1,200?—A. Yes, or more than the amount which they intended to pay on a particular contract. This gives us the power to refund that much. Where it is not applied to the contract, we can refund it.

Q. Well, I am a little vague as to how that could occur. Where would that be? Where an overpayment had been made? I understood that all subscriptions are simply credited to the annuity, so you would not be aware of that until such time as the annuity came into force.—A. That is right. The annuitant has a period of 30 days from the time he gets his contract in which to decide whether or not he wants to keep it. He will get his contract and look it over and he may decide that it is not just exactly what he wanted, so he may send it back. In the meantime his money has been credited, so we have to refund it to him. And this enables us to do so. Or maybe, when he gets his contract he may say: "I did not intend taking out such a sum, and I would like to reduce it." In that result, we have to pay back the difference. That is the purpose of this section.

Q. You did not refer then to the case where possibly he had inadvertently subscribed for more than \$1,200?—A. That is right.

Q. He may conceivably have one contract for \$300 and might want to subscribe for another contract for \$1,200?—A. That is true, and that would be covered under this section.

Mr. CÔTÉ: These things can occur but they do not happen very frequently.

The WITNESS: They do not happen very often but we have to have the authority to deal with them when they do arise.

The CHAIRMAN: Are there any further questions on paragraph (f)?

Mrs. FAIRCLOUGH: I take it that where an amount was not applied to the purchase price of an annuity, it would be recognized by the department that the amount in question was received not on account of the annuity but as an over-payment.

The WITNESS: It is not applied to the contract or to the purchase of the annuity. It is not applied, and therefore we send it back.

Mrs. FAIRCLOUGH: Do you find that out very quickly?

The WITNESS: We try to.

The CHAIRMAN: Are there any further questions on paragraph (f)?

Does paragraph (f) carry?

Carried

Paragraph (g)?

(g) as to the selection of agents of the Minister to assist in executing the provisions of this Act, and for the remuneration, if any, to such agents therefor;

By Mr. Balcer:

Q. I would like to ask the witness how many people at the present time are employed in his department?—A. You mean, in the branch or employed as representatives?

Q. I mean in the branch; I mean generally, just a rough figure.—A. We have 190; and additional to that we have 55 full-time and 14 part-time representatives.

Q. And if the bill is passed in its present form with the important changes proposed in the bill, do you estimate having a big increase in your staff? Do you contemplate doubling it, for instance?—A. No. It would not mean any substantial increase whatsoever as far as members of the staff are concerned.

Q. Would it not tend to increase your work tremendously?—A. It will increase the work, that is quite true, but I think the organization and set-up of the branch is such that it has the capacity to handle more than it does at the present time. Granted, you would have to have some additions to the staff, but perhaps more in the clerical levels, where the volume would affect us. For example, in the registries, and so on we would have large volumes of mail. But actually, as you have suggested, even it were doubled, it would not affect the basic administration.

Mr. BALCER: Would it change the structure of your staff?

The WITNESS: Strengthening I think would be required more in the mechanical staff rather than in the administrative staff.

Mr. CARROLL: Would it not be a good idea if all the staff were under the civil service commission? Under this subsection you can make your own regulations, but it seems to me that it would be better if the authority of appointment vested in the civil service commission.

The WITNESS: Well, that section has always been in the Act.

Mr. CARROLL: I know.

The WITNESS: These gentlemen are paid on a commission basis, they are not paid a salary.

Mr. CARROLL: That is quite clear.

The CHAIRMAN: Shall paragraph (g) carry?

By Mr. Lennard:

Q. In other words these gentlemen are merely those in the field? That does not apply to the permanent staff?—A. Just those in the field.

Q. How many out of the 190 people on your staff are permanent employees of the civil service? If you don't know— —A. Offhand, I could not say.

Q. Is there anything in this Act that would permit the minister to hire, fire, and go over the head of the civil service commission?—A. No.

Q. Because it has been done in other departments and I do not want to see anything put in here which will allow that to be done.—A. There is nothing in here that would permit that.

Hon. Mr. GREGG: There is no difference between the staff of this branch and that of any other branch of the department; they are on exactly the same basis as the staff in the other branches of the Department of Labour.

Mr. LENNARD: It is all one?

Hon. Mr. GREGG: Yes.

The WITNESS: Might I correct my statement? I may have given the wrong impression when I said that no additional staff would be necessary if the thing went through the way it is planned and if applications were doubled. The point I was trying to make is this, that certainly the staff would not be doubled; there would be some additional staff required, perhaps, but not to the extent of anything proportional to the amount of additional business that might be done.

By Mr. Carroll:

Q. Do not these agents in fact get a basic salary?—A. No.

Q. If they don't they don't make much money.—A. No.

By Mr. Fairclough:

Q. What about these representatives, the 55 full time and the 14 part time representatives? Are any of these representatives also employees of the Post Office Department?—A. No.

Q. Well, there is in the estimates provision for a commission being paid to agents and to postmasters, I believe it says?—A. Yes.

Q. Would you explain just what the policy of the department is now; what type of compensation—you might call it that—is paid to postmasters for business done, for instance, in connection with these annuities?—A. Yes. In certain post offices—those are post offices where the postmaster get a commission on postage stamps and other things that he might sell for the post office—in those cases he is paid a small commission; I think it is $\frac{11}{40}$ ths of one per cent on the money he may take in for the annuities branch.

Q. That is in their case only?—A. Yes. We actually pay the money to the post office, we do not pay it direct to the postmaster. We pay it to the post office and presumably they send it to him, or they may have some other way of paying him in the post office on that basis.

Q. Does he make any commission at all on writing contracts?—A. Yes, if he were to sell a contract for deferred annuity he would get 1 per cent of the original premium.

Q. Well then, these postmasters or sub postmasters, or whatever you call them, would not be on the same basis as the 55 full time representatives and the 14 part time representatives to which you referred?—A. No.

Q. But they would be included under clause (c)?—A. No, they are not included under clause (c).

Q. Why not?—A. We have an arrangement with the post office and under that departmental arrangement between the post office and our department the post office handles our business; that is, they will take in the money, and if someone comes in and wants to buy an annuity over the counter the postmaster will sell it to him.

Q. Well then, do I understand that none of the regular postmasters are compensated for their work, it is only the sub post offices?—A. The sub offices only.

Q. Well, that raises another point which has reference to administrative cost. The Post Office Department does a great deal of work in the annuities branch which is not included in the administrative cost.—A. Pardon me, those figures which I gave you the other day included some \$40,000—\$45,000 rather—basically, as I say, paid by us to the post office—that has reference to that \$30,000 and \$15,000—do you remember?

Q. Yes.—A. \$15,000 of that is equal to the amount in commissions we have paid to the post office for these little sub offices. The other \$30,000 represents other costs—the cost of their staff offices where they pay no commission, the cost of their handling of our work. Now, the overall cost would run about \$45,000 a year.

Q. How do you arrive at that amount? You say that there is three times the amount of work handled by the post office as a whole in relation to what is handled by sub-offices for which you pay \$15,000?—A. Oh, yes; in your large post offices, for example, like Ottawa . . .

Q. Would it not be more than three times—that is the point—would one-third be handled by these sub-offices?—A. No, in the sub-offices I think your commission basis would be perhaps a little higher, maybe, than a cost ascertainment would show the actual cost of the work might be if you were measuring in a staff office. The one person there sells a lot of things, he sells unemployment insurance stamps, money orders, postage stamps, and included in all of that maybe he takes in a premium on an annuity, so in breaking down that man's time and apportioning his salary to all the various jobs, it perhaps comes

out rather less in the larger office than it would be if we were paying him a commission of $11/40$ of 1 per cent. Also, a lot depends on your volume of collections. In those small places they sometimes take in quite a few payments.

Q. But the sub-offices are still paid on a percentage basis, whereas you just take a guess at the amount that is handled in the staff offices?—A. That is not exactly the case. These figures I gave you were the costs that the Post Office Department presented to us.

Q. As their estimate of what proportion of time their staff had spent on that?—A. Yes, they had worked out the whole thing on a cost ascertainment basis, and they do likewise for other departments using Post Office Department services.

Q. And you compensate the Post Office Department for that amount as well as for the straight commission?—A. That is right.

By Mr. Bryce:

Q. Do you pay a straight commission to the postmasters in the little post offices for handling annuities?—A. We do not pay it to the postmaster.

Q. He does not get anything? He does that in the course of his duties along with selling stamps? But you pay a lump sum that the Postmaster General bills you for, is that right?—A. That is the idea; we will pay the post office a lump sum but it is based on certain facts. Now, as far as these commissions to the sub-offices are concerned, we do not pay directly to the postmaster, but the amount that he shall receive is based on facts—he has taken in so much money by way of collecting money for us and on that he receives a certain amount.

By Mr. Lennard:

Q. He does not get it personally?—A. We do not know what the post office does with it. I presume they pass it on to him as a basis for paying for his services.

Q. But you do not know.

Mr. CARROLL: Well, the Post Office Department pays their employees in accordance with the income of their office.

Mr. BRYCE: Mr. Chairman, in answer to my friend here, that depends on whether the post office comes under the civil service or whether it does not.

The WITNESS: That is right.

By Mrs. Fairclough:

Q. Well, where it comes under the civil service I suppose there is no payment to individuals, but it is the sub-offices we are considering in particular, because they are the only ones who are paid on a commission basis. Have we no evidence that these commissions do in fact travel right down to the postmaster?—A. I could say this, I believe they do, I believe the post office passes it on in perhaps a lump sum along with other moneys or commissions that may be coming through, and he periodically gets a cheque to cover that amount.

Q. In other words, he will receive payment for services in connection with these annuities along with payments for stamps, and so forth?

Mr. LENNARD: I would think if you did not you would not get many annuities from the small offices.

The WITNESS: As a matter of fact, we do not get too many from them anyhow. It is more of a collection proposition.

By Mr. Brown (Essex West):

Q. Who gets the commission when the annuity is recommended by an insurance company—and there are a great many of them, I understand, that are recommended by such companies. For instance, in a group plan, the company recommends a government annuity be taken out. Who gets that commission?—A. If it is a sale that is direct with the head office, for instance, nobody gets it, no commission is paid.

Q. For instance, in Windsor there is a representative of the department who covers that area and sells to people in that area and I suppose they have restricted areas. Now, supposing there is a group plan established in the area there do you mean that the company and employees can go to the local representative or can go directly to the head office of the government annuities branch?—A. That is right. We attempt to pay commissions for services rendered. For example, if our representative has done nothing at all in developing that plan or has not put any effort into it, he does not get any commission.

By Mr. Lennard:

Q. Does anybody else?—A. Nobody does if it is a direct head office sale. For instance, if somebody in Windsor writes in and says he wants to buy an annuity and here is the money, there is no commission paid.

By Mr. Brown:

Q. Supposing it is a case of a person making an inquiry from the representative and then forgetting it for a month or so, then writing in to head office, does the representative get a commission?—A. We protect his rights if the representative has contacted a person.

Q. Maybe he has not contacted the person, maybe he has been contacted and has answered certain questions on it.—A. Well, I would say that we would have to assess that situation.

Q. I gather that the payment of commissions to the representative would depend on your opinion?—A. We try to give the representative the benefit of any doubt there might be in a case of that kind. He has to submit weekly reports and in those reports he indicates what calls he has made and who he has spoken to with regard to annuities. If a person such as you mention wrote in direct to us, while we do not go to the trouble of checking each weekly report, if the representative should come back at us and say that a certain person who was a customer of his, bought an annuity from head office, we would look that up and if it was a fact he had been in contact with that person we would allow him a commission.

Q. Then the representative does not get an exclusive area?—A. Exclusive as far as any other representative is concerned, but there is nothing to stop a person writing in to the head office.

Q. Supposing a company has contacted the Toronto area representative and got a lot of information from him, subsequently the company goes to the head office and makes the contract, can they forget all about the representative in Toronto?—A. We have a section in our scale of commissions I would like to read to you, and I think it will clarify this point. It says:

With a view to ensuring efficient handling thereof, the director of annuities may require the withdrawal of an annuities representative who may have initiated negotiations in respect of a group or individual contract in order that the negotiations may be taken over by any other annuities representative or by an employee of the Canadian Government Annuities Branch in which event if commission becomes payable as the

result of the negotiations, the director of annuities will determine the amount of commission payable to each annuities representative participating in the negotiations, subject, however, in the event of a group sale where the director of annuities is of the opinion that the annuities representative has not done the major amount of work involved in effecting the sale, commission payable herein, shall not be more than one-half the normal rate.

If he has not done a major portion of the work he will not get more than half. Does that answer your question?

Q. It answers it; I don't say I approve of it.

By Mr. Lennard:

Q. I assume a firm of consultants may be agents in negotiating a group plan for some large corporation?—A. Yes, but they wouldn't get any commission.

Q. Would there never be a group of consultants appointed as agents of the government?—A. I wouldn't say they never would be, but they are not now and have never received any commissions.

Q. Members of a firm of consultants are not retained as agents?—A. No.

By Mr. Brown:

Q. Do representatives of the department work exclusively for the department?—A. The 55 full-time men do, but part-time men may have other lines of endeavour.

Q. Would it be part-time with some other insurance company?—A. Not necessarily.

Q. It could be with an insurance company?—A. It could be, but mostly they are engaged in other lines of work.

By Mr. Carroll:

Q. For example, take the man in Halifax, and I may say he is a very good one too, do you mean to say he has to give his whole attention to your business?—A. That is right.

Q. Do you mean to say he can make a sufficient living wage on the annuities he writes up in his district?—A. He can and does.

Q. I am not finding fault with the administration of this, I am in favour of it, but my objection to this thing is your agents do not go out looking for work. Is that because they are afraid of the insurance companies that write these annuities as well?

Mr. BROWN (Essex West): They are not permitted to go out and put on a high pressure sales campaign.

Mr. CARROLL: I think that is the weakness of this whole organization, your agents in the field do not go out and sell.

Mr. CÔTÉ: In the past three years it is less than ever.

Hon. Mr. GREGG: Of course there are fewer of them, one in Halifax, one in Saint John, and I think eight in Montreal.

The WITNESS: They do a lot of circularizing. They attempt to map their course efficiently, they do not just go around ringing doorbells. They first try to plan a campaign by sending out circulars and if any interest is indicated they call on the people. They are spread across the country and after all we try to help them and press them along to see that their area is being covered as well as it can be, but if you are not paying them a salary it is up to them whether they get out and hustle to earn a large commission or a small one.

Mr. NIXON: I am afraid the government does not give them much encouragement, in accordance with the regulations, to go out and look for business.

Are you having difficulty in getting salesmen?

The WITNESS: We have not thus far.

Mr. NIXON: All sections are pretty well covered?

The WITNESS: We have them in 42 centres—the main centres across Canada from Halifax to Victoria.

Mr. BROWN (*Essex West*): What commission do they get?

The WITNESS: Well, it varies. I could put it on the record. It is on a percentage basis and I can give you briefly what it is.

On an immediate or single payment deferred annuity the commission is 1 per cent of the premium paid. The lump sum is paid at 1 per cent. On a deferred or periodical annuity where payments are made annually or monthly, and where it is to be completed in one year they get 1 per cent of the premiums for one year. Where it is to be completed in two years they get 1 per cent in each of the two years. If it is to be completed in three years they get 3 per cent in two years. Where it is to be completed in four years they get 4 per cent for two years. Two years is the maximum period for which they receive commissions on renewals. It goes up with the period of deferment and the maximum that may be earned on any one contract is \$100, and for group contracts the maximum is \$600.

Mr. BRYCE: Would you say those rates compare favourably with those of private companies?

The WITNESS: They are much less than for private companies.

By Mrs. Fairclough:

Q. Do you protect your agents in any way? You say they have a certain territory. You said a while ago that unless they had actually worked up this business themselves they would receive only a proportion of the commission. Is it not conceivable that an agent in an area would have sent out literature and planned a campaign for his office and, as a result of the work which he had done, a group contract would be written but handled directly with head office? Although he has done the preliminary work he is not protected in any way in that case?—A. Yes, if he has done the preliminary work, but I would say that preliminary work is just a little more than sending out circulars. A person could blanket a city with circulars and then just sit back and wait and if any of those popped up he would collect the commission.

Q. Then his territory is not protected territory?—A. It is protected. As far as we are concerned no other agent can go into his territory.

Q. But head office can go into his territory?—A. If an inquiry is received in head office from, say Windsor, as you mentioned Windsor a few minutes ago, we send the person inquiring a preliminary pamphlet and we send a copy of the inquiry to the agent in Windsor. He can take it from there and if he follows it up and calls on the person or telephones him, and if any business results, he gets the commission.

Mr. CÔTÉ: Can you say what percentage of your new business is handled through your field representatives?

The WITNESS: I would say about 90 per cent of our business is handled through the representatives.

By Mrs. Fairclough:

Q. Again having regard to the commissions which are paid, I think you intimated that no commissions are paid directly other than to your agents?—A. That is right.

Q. There was some talk the other day about the attractive qualities of government annuities and reference was made to the fact that an insurance agent who is on the point of selling an annuity might conceivably consider that a government annuity was a much more attractive buy for his potential customer than the one which was offered by the company which he represented, and there was some fear that he might suggest the purchase of a government annuity in place of the one offered by his company. In that case, if that should happen, I take it that the insurance agent would get no commission from you? —A. No.

Q. There is no point then in his selling a government annuity because he would get no commission.

Mr. CÔTÉ: I think the suggestion was offered the other day by the life underwriters that the insurance agent would be greatly interested in building up confidence in them on the part of the large customer, that it would have some importance.

Mr. GILLIS: I think it is a labour of love in selling the best policy.

Mr. CÔTÉ: He is selling the cheapest plan to his customers.

Mrs. FAIRCLOUGH: The agent has to live. Why would he sell something for which he would get nothing?

Mr. CÔTÉ: Because he has the expectation of other business which he may get from the same customer.

By Mr. Gillis:

Q. When did your department enter the group insurance plan of annuities? —A. You mean the group field?

Q. Yes.—A. I think it was about 1939 that they really started to expand in so far as "group" is concerned.

Q. It has been well developed in the last 10 years, has it not?—A. Yes, that is right.

Q. I have in mind your endeavours to sell them. I know that Dominion Steel and Coal is a pretty large organization and that they have a lot of employees across this country; but to the best of my knowledge they have no annuity group plan as such. I think they have some kind of scheme of their own.

From 1946 to about 1949 the business of establishing a group annuity plan for the miners of Nova Scotia, for example, was a very hot issue in the press and all over the country. The excuse offered by the company at that time was that they could not find any actuarial formula whereby they could work out any kind of plan.

You have an agent in Halifax, but there is no plan as yet. I have listened to the discussion here and I think your agent in Nova Scotia was rather slack on the job, with the annuity plan you have available, in not getting in there and making that plan known, because the idea died a natural death with agitation on the assumption that there was nothing to cover it.

Did the Dominion Steel and Coal Company or the Mine Workers' Union in Nova Scotia have any contacts with your branch in regard to the actuarial basis for an annuity plan?—A. I could not say off hand. Perhaps Mr. Davidson could tell me. Yes, they were in contact with us.

Q. Then why was a sale not made there? It would have been a very big one.—A. I wonder if Mr. Davidson might enlighten us on that?

Mr. J. E. DAVIDSON: Mr. Chairman, around or about that time we did extensive work on a company plan for the miners in Nova Scotia and Cape Breton. We considered many formulae, and I think we could provide a satisfactory formula; but as to why the sale was not made, I cannot say. That is something which rests with the company. We did not work with the company in the matter.

Mr. GILLIS: Do you not think there was something wrong with your salesmanship there?

The CHAIRMAN: Mr. Gillis, this will be the last question.

Mr. GILLIS: Do you mind if I say this, Mr. Chairman? This is very important. You fellows have not been giving us enough free enterprise. There has been no competition. You are falling down on the job.

Mr. GAUTHIER (*Sudbury*): Mr. Chairman, I move that we adjourn.

The CHAIRMAN: Gentlemen, before we adjourn would you care to have a meeting of the committee this afternoon? Would someone move that we meet this afternoon at 3:30?

Mr. BRYCE: I move that we adjourn until tomorrow morning at 9:30.

Mrs. FAIRCLOUGH: A lady got in touch with me yesterday in the corridor. I was accosted by a woman in the combines committee who said that she was going to tell people that I was neglecting my duty because I was not present at that committee. I am a member of the combines committee and I should be in attendance there. I am not going to lay myself open to criticism of that nature.

Mr. LENNARD: In fairness to Mr. Knowles, I think he understood there was to be only that one meeting while the House was sitting.

Mr. BRYCE: What are you going to do with my motion that we meet tomorrow morning at 9:30, Mr. Chairman?

The CHAIRMAN: It is moved by Mr. Bryce that this committee now adjourn until tomorrow morning at 9:30. All those in favour?

Mr. BRYCE: Well, I would be satisfied if you made it Friday morning at 9:30.

Mr. CÔTÉ: If we could have an hour meeting tomorrow morning, I think we could conclude our work. So I would be in favour of Mr. Bryce's motion that we meet tomorrow morning at 9:30.

The CHAIRMAN: All those in favour of Mr. Bryce's motion?
I declare the motion carried.

Mrs. FAIRCLOUGH: It is understood that we shall adjourn at 10:30, though, Mr. Chairman?

The CHAIRMAN: We shall make sure that we do not overlap the other committee. The committee is adjourned.

December 6, 1951.

9.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. Will you come to order, please,

It was understood at the close of our meeting yesterday that our meeting this morning would not conflict with that of any other committee.

Mr. KNOWLES: But it does, Mr. Chairman.

The CHAIRMAN: And therefore we will, unless there is a motion to the contrary, adjourn at 10.30.

We have not had a meeting of the steering committee and there is a communication which has been received from the Trades and Labor Congress of Canada. What is your pleasure in regard to reading this into the record? It is very short, about two paragraphs.

Mr. CÔTÉ: I think we should read it in.

Mr. KNOWLES: I would second that.

The CHAIRMAN: You have heard the motion, all those in favour of the motion will please signify.

Carried.

The Trades and Labor Congress of Canada in its annual conventions has consistently favoured an increase in the maximum amount available for purchase under the Government Annuities Act and this attitude of our affiliated membership has been brought to the attention of the government of Canada on previous occasions.

We are therefore pleased to note that under the provisions of bill No. 23, an Act to amend the Government Annuities Act, the maximum will be increased from \$1,200 to \$2,400. Other items in the bill also meet with our approval. We have no hesitation in lending it our full endorsement and urge your committee to seek its enactment by parliament.

When we adjourned yesterday we were discussing sub-paragraph (g) of section 13, clause 5. What is your pleasure about procedure this morning?

Mr. BALCER: Mr. Chairman, before we start the study of subsection (i) I would like to ask permission to move an amendment, to revert to section 8 of the bill. I mean when we have concluded consideration of the sections we are considering this morning—that is when we are finished with the rest of the bill—we go back to section 8, on page 3 because I was away at the time that was before the committee. I had to leave, and I would like to move an amendment to that section.

The CHAIRMAN: Do you want to move your amendment now?

Mr. BALCER: No, I was merely giving notice that when the committee has finished its consideration of the rest of the bill that I would ask you to revert to that particular section.

The CHAIRMAN: Oh, you are giving this as notice of motion?

Mr. CROLL: What does he mean? What is he amending?

Mr. KNOWLES: He is asking us to reopen a certain section.

The CHAIRMAN: That is right.

Mr. KNOWLES: Is it the whole of section 8, or one particular subsection?

Mr. BALCER: It is subsection 2.

Mr. CROLL: That raises the amount from \$1,200 to \$2,400.

Mr. BALCER: Yes. I am not moving my amendment now. I am just giving notice that I will ask the committee to revert to that section after it has finished the other parts of the bill.

Mr. BROWN: Should we not know what the amendment is going to be? I think we ought to know what is in the back of Mr. Balcer's mind.

Mr. LENNARD: You could not remember it five minutes if he did.

Mr. CÔTÉ: I would not suggest that we delay the proceedings of the committee. Mr. Balcer asks that this be taken as notice that he wants us after we finish with the rest of the bill to revert to that section.

Mr. BALCER: I did not want anyone to be taken by surprise at the end of the sitting, so I am giving notice now of my intention to ask the chairman to revert to that section.

The CHAIRMAN: And at that time you will again raise the point, Mr. Balcer?

Mr. BALCER: Yes.

The CHAIRMAN: What is your pleasure this morning. When we adjourned our last meeting we were discussing subparagraph (g), page 6, section 13, of clause 5. We had stood over yesterday, subparagraph (e). Now, what is the pleasure of the committee?

Mr. CROLL: Mr. Chairman, will you revert now to section (e)? I asked that it be stood over because I could not be here at that time. I had some observations I wanted to make. In view of the notice of motion presented by my honourable friend (Mr. Balcer) I think perhaps we could let that subsection stand for the present and deal with it at that time.

Mrs. FAIRCLOUGH: I have no objection to that, Mr. Chairman.

The CHAIRMAN: Then we will proceed with subsection (g). Would you like to ask any further questions? I believe Mr. Gillis was questioning at the close yesterday. Would you wish to continue, Mrs. Fairclough?

Mr. C. R. McCord, Director, Annuities Branch, Department of Labour, recalled:

By Mrs. Fairclough:

Q. I have one question which possibly has been answered, but not definitely; however, I would like to have it clear on the record. It is with regard to annuities written by head office and whether any commission is paid with respect to such contracts and if so to whom the commission is paid. I understand that nobody is paid commissions on contracts written at head office?—
A. That is correct.

Q. Well then, that just disappears so that in effect all these annuities which are written directly with head office bring down the administrative expense?—
A. That is correct.

Mrs. FAIRCLOUGH: Those are all the questions I have. I just wanted to get that clear.

The CHAIRMAN: Shall subsection (g) carry?
Carried.

Subsection (h).

Mrs. FAIRCLOUGH: Would somebody tell me what is acceptable by way of proof of age?

Mr. CÔTÉ: Are we going to reopen the whole discussion on that?

Mrs. FAIRCLOUGH: No, no; but as far as I know the insurance companies always take affidavits and I was just wondering if the same thing applied here.

The WITNESS: Yes, we will take affidavits. Is that your point?

Mrs. FAIRCLOUGH: Yes.

The WITNESS: If other documents are not available affidavits will be acceptable.

Mrs. FAIRCLOUGH: That would be an affidavit from someone knowing the facts.

The WITNESS: Knowing the facts, presumably.

Mrs. FAIRCLOUGH: Yes. All right. I mean, you just follow the usual procedure of insurance companies?

The WITNESS: Yes.

The CHAIRMAN: Shall subparagraph (h) carry?
Carried.

Shall subparagraph (i) carry?
Carried.

Shall subparagraph (j) carry?

By Mrs. Fairclough:

Q. Mr. Chairman, would there be any volume of such unclaimed annuities? I suppose these would be in cases of persons who died without leaving any heirs before maturity is reached? Is that correct?—A. I think that is what brings it about. We have a number of cases where we have not been able to locate the people when the annuity matured. At the present time we have on our books 213 annuities past maturity dates where we cannot locate the annuitants.

Q. What would be the amount in money value of those?—A. Well, the majority of them are not very large. A long time ago when a person could open an account with 25 cents there were a lot of those that were opened up and nothing ever happened to them. But I think we have only one case that involves around \$5,000, the others are all of the smaller variety.

Q. What happens to those funds? Are they just left in the fund?—A. They are left there.

Q. They are not taken out and put into separate funds?—A. No.

Mr. KNOWLES: They do not go into Mr. Abbott's surplus?

The WITNESS: No.

Mrs. FAIRCLOUGH: What steps are taken, Mr. Chairman, to find these people? Do you advertise?

The WITNESS: Well, we have not gone so far as to advertise for them, but they are followed up with letters to every last known address and every connection that we can track down. We try to locate them through that method.

Mr. KNOWLES: If anybody turned up afterwards he would still be able to exercise his claim?

The WITNESS: That is right.

Mr. LENNARD: There is no time limit on them, is there?

The WITNESS: No.

The CHAIRMAN: Shall subparagraph (j) carry?

Carried.

Shall subparagraph (k) carry?

Carried.

Now we come to subsection 2 of section 13 in clause 5. That is at the bottom of page 6.

(2) The Minister shall cause a review of the mortality experience in respect of annuities paid under this Act to be made not less frequently than once in each period of five years to determine whether or not the purchase price of new annuities should be changed, the review to be made in such manner and by such persons as the Minister, with the approval of the Treasury Board, prescribes.

Mr. KNOWLES: Mr. Chairman, may I ask a question which may seem to involve both subsections 2 and 3, but just for the purposes of comparison. I note that under subparagraph 2 the minister is instructed to cause a review of the mortality experience to be made, but he is not instructed to cause a review of the interest question to be made. Should not those two sections be put on the same basis?

The CHAIRMAN: Well, interest is not mentioned in this subparagraph.

Mr. KNOWLES: All right, I will leave it to subparagraph 3 then.

The CHAIRMAN: Shall subparagraph 2 carry?

Carried.

Shall subparagraph 3 carry?

(3) Where the Governor in Council fixes a rate of interest under paragraph (a) of subsection one, the rate shall be based as nearly as,

in the opinion of the Governor in Council, is practicable, on the average rate of return then yielded by bonds of the Government of Canada that will be outstanding for a period of twelve years or more before maturity or, if callable before maturity, before the day on which they may be called for payment.

Mr. KNOWLES: Now, on subsection 3, Mr. Chairman, at the top of page 7. Since we have passed the section which instructs the minister to review the mortality experience, why should not subsection 3 have in it the requirement that he review the interest question from time to time?

Mr. CROLL: May I suggest to Mr. Knowles that the minister does that automatically in the light of conditions? That has been the experience and that is exactly what they have done. This subsection 2 instructs him because it depends upon a lot of things that are not usually easily understood. Interest rates fluctuate, and the government has been examining them from time to time in the light of conditions. I presume that it will continue.

Mr. KNOWLES: The Governor in Council did not raise the interest rates on annuities to conform with the high rate that was paid on government bonds at one time. Mr. Côté, you could tell us what they were, you mentioned those figures in the House. The interest rate got up to as high as 6 per cent, did it not?

Mr. CÔTÉ: That is the purpose of this subsection.

Mr. KNOWLES: But the interest rate on annuities was not increased to conform with that. The interest rate was decreased in 1948 to conform with the falling rates in government bonds, but we have not had a corresponding increase when the interest rates on government bonds went up.

Mr. CÔTÉ: That is the purpose of this subsection.

Mr. KNOWLES: Is that the purpose? I am not going to stick to the word "review" if the effect is there.

Hon. Mr. GREGG: That is the intention, Mr. Knowles. The matter will be reviewed immediately as soon as this bill is passed, and the intention is that it shall be reviewed without frequent changes as time goes on.

Mr. GILLIS: Previously you did not have the authority to do it.

Mr. KNOWLES: Oh, yes, it has been done by order in council, but not according to any prescribed plan.

Mr. CÔTÉ: In the Act as it stands there is no specific provision for determining interest rates on annuities, but now we will have this subsection 3.

Mrs. FAIRCLOUGH: It still does not name any periodic intervals at which it should be done.

Mr. CÔTÉ: No, but you have enough in the subsection, I would say "the rate of interest shall be based as nearly as, in the opinion of the Governor in Council, is practicable, on the average rate of return then yielded by bonds of the Government of Canada", and so on.

Mrs. FAIRCLOUGH: But what I mean is, you may review them tomorrow and say that will do and let it go for ten years. There is nothing in here that calls for a periodic review, is there?

Mr. CÔTÉ: You will have to have more confidence in the Governor in Council.

Mrs. FAIRCLOUGH: Should I?

Mr. CROLL: Yes.

Mr. KNOWLES: That is asking a little too much.

Hon. Mr. GREGG: I think in view of the fact that the review would be based upon changing conditions, if you set down a rigid number of years

I think it might be artificial; but I am sure that you can take it that that is the intention to keep this under review in relation to the interest earnings on long-term bonds.

Mr. KNOWLES: I take it from what the minister said that it is in the mind of the government to make such a review shortly after this bill passes.

Hon. Mr. GREGG: It will be studied in the light of the situation after this bill carries.

The CHAIRMAN: Shall subsection 3 carry?
Carried.

Shall clause 5, with the exception of subparagraph (e) of subsection 1 of section 13 stand? Does the balance of the clause carry?
Carried.

The CHAIRMAN: Clause 6.

Mr. CROLL: I understood after finishing that section we would get back to subparagraph (e).

Mr. CÔTÉ: There is nothing in it.

Mr. CROLL: There is nothing in it?

The CHAIRMAN: Shall clause 6 carry?
Carried.

Shall clause 7 carry?

7. This Act shall come into force on a day to be fixed by proclamation.

Mr. KNOWLES: Does the minister know when it is intended to proclaim this Act?

Hon. Mr. GREGG: At an early date after its passage through the House.

The CHAIRMAN: Shall clause 7 carry?
Carried.

We will now revert to page 6 of the bill.

The CHAIRMAN: We will now revert to page 6 of the bill, subparagraph (e) of subsection 1 of section 13, of clause 5.

Mr. KNOWLES: In other words, from line 12 to 18 on page 6.

Mr. CROLL: Speaking to clause (e) on page 6, there are two principles that stand out in this bill, first it is the increase in the amount of cash surrender value. I am wholeheartedly in support of the bill in so far as the increase in amount is concerned, I have no qualms about it at all, I think it is overdue and I think it is acceptable. I have some apprehension, however, and some second sober thoughts, although that usually doesn't come to members of this House, it belongs to the other place, but with respect to subsection (e) it is my view we are going a little too far, we are opening the door a little too wide. There is a need in certain circumstances. In case of hardship I can understand someone cashing in their annuity and when I speak of hardship I mean excessive hardship. There is the case of a single woman who works for fifteen or twenty or perhaps ten or twelve years and then marries and is no longer in the employment field, she has some reason for cashing in her annuity, but my conception of annuities is something more than that. I have always looked upon an annuity almost in the same light as a pension, they are untouchable, they are there for a specific purpose and until that purpose is fulfilled I have great apprehension about permitting people to take out their own money. Sometimes it is necessary for us in the broader aspect to save them from themselves. I think we should go slowly about enacting subsection (e) as it is presently. I can understand in cases of hardship the

government having some discretion and perhaps also in some other cases. We had a very wide discussion on this and my conception of an annuity was that it was a base for people upon which to build their security. I think most of our people, if I recall correctly 70 per cent of the people, buy less than \$600 in annuities and that isn't very much, but with the \$40 which Mr. Knowles will help us increase as the years go on— —

Mr. KNOWLES: Hear, hear, and in not too many years either.

Mr. CROLL: At least that \$40 on top of what he may already have is a fair amount of money upon which to retire and live in fair comfort. There may be an inclination with the \$40 or perhaps a little more coming to them at age 70, to dissipate the original annuity the purpose of the Old Age Security Act may be lost. I am not concerned about what we do in subsidizing the Act, we have done it for many years I am not very much concerned about what we may do in future, but I have some serious apprehension about the possibility of cashing these annuities. Two things go through my mind and I do not know which will appeal to the committee. I was thinking that after the word "authorizing" we could add the following words "in cases of financial hardship." Now, as an alternative to that would you mind writing down these words, "in specific circumstances provided by regulation." Now, I appreciate the difficulty that will immediately arise in the minds of members. They will say, what do these words mean. I cannot tell you exactly, but I can tell you this, the minister is here and the record is here and if we accept either one of these or similar words the minister will deal with it in the light of the discussion and the opinion of this committee, which will be a guide to him. It has always been my understanding these discussions may be a source of guidance to the department and the government. I do not know what the government's view on this is, but I rather feel they share to some extent the views I have expressed. I would like to have this committee give that aspect of it some consideration. I think if we limit subsection (e) to some extent we will still have accomplished the same objective in having raised the limit from \$1,200 to \$2,400 and the bill will be worth while.

By Mr. Carroll:

Q. Are there occasions when people will pay in on behalf of a dependent a bulk sum of money which will give them an annuity at a certain stage earlier than usual? —A. Yes.

Q. That would be one case in which I think the person to whom the annuity was given should not be allowed to take out the money. For example, I as a parent might today have money enough, which I haven't, to pay into the department a bulk sum which would give my son or dependent an annuity in ten years' time or five years' time. I think it would be altogether wrong if the department at any time before the annuity came or after it came allowed him to take out that bulk sum of money.—A. I might explain the purchaser is the one who exercises the option. Now, in the circumstances you mention, the purchaser of that contract did not exercise his option.

Q. The purchaser is dead.—A. Well, his legal representatives. If he did not exercise the option and assigned his complete rights to that annuitant, as he may do under this bill—

Q. He could do that under his contract?—A. That is right. Under the contract he would have certain options he could exercise.

Q. If that was put into the Act, as my friend has said, that would allow you to do that, but as the Act stands now I do not think you can make regulations saying that the purchaser of an annuity can at any time take his money out under the Act as it now stands. How are you going to make regulations to provide for specific cases such as are mentioned?—A. As I say, it is the purchaser and not the dependent who would exercise the right.

Mr. CÔTÉ: In the case submitted by Mr. Carroll it may be that the purchaser has availed himself of the assignment privilege provided under subsection 3 and assigned his rights to the annuitant.

Mr. CARROLL: In the case I mentioned I am the contractor but the rights under the contract belong to somebody else who will become the annuitant in perhaps two, three or four years.

Mr. CÔTÉ: Under this new subsection we have provided that the purchaser of an annuity may assign his rights, so I am putting this formal question to Mr. McCord, what would happen in the case where a purchaser has assigned his rights to the annuitant?

The CHAIRMAN: In substance that is the question Mr. Carroll put to Mr. McCord.

The WITNESS: If the purchaser has assigned his rights completely to the annuitant—

Mr. LENNARD: Don't they in nearly all cases do that? It is the natural thing to do, isn't it? If I take out a policy for one of my children it would be the thing I would be inclined to do.

The WITNESS: Unless you wanted to make that reservation. If you wanted to be certain they did not take the cash you would not assign that particular option.

Mr. CARROLL: That would be part of the contract?

The WITNESS: Yes.

Mr. CARROLL: I agree with Mr. Croll to a large extent, that a great many people make applications day in and day out in order to get what little money they have with interest when they are not in need of it at all and it is against their own interests. I suppose we are here to protect the interests of the public as well as the department. That is one of the reasons why insurance companies are making such a strong bid to have this clause cut out altogether. It is not for the protection of the people but they think it is very much opposed to their own business because you are paying a higher percentage on your cash surrender than they pay. That is one of the reasons really, why I would like to see the clause there—if the insurance companies are against it. At the same time, I think there is a whole lot of real sense in the proposition put by my friend, Mr. Croll.

Mr. BROWN (*Essex West*): Could we have the section as amended read?

The CHAIRMAN: The section as suggested will read as follows—and then I am going to give the floor to another member of the committee.

Mr. BROWN (*Essex West*): As long as we know what we are discussing.

The CHAIRMAN: “. . . authorizing in case of financial hardship . . .”

Hon. Mr. GREGG: Suppose you read the covering authority at the beginning. “The Governor in Council may . . .”

The CHAIRMAN: At the bottom of page 5:

The Governor in Council may, on the recommendation of the Treasury Board, make regulations:

(e) authorizing in cases of financial hardship the surrender of the right to receive an annuity before the due date of the first instalment thereof . . .

or

The Governor in Council may, on the recommendation of the Treasury Board, make regulations authorizing in specific circumstances provided by regulations, the surrender of the right to receive an annuity before the due date . . . etc.

Mr. CÔTÉ: Those are really two motions.

Mr. KNOWLES: I wonder if I might say a few words on the two proposals of my honourable friend from Spadina.

Mr. BROWN (*Essex West*): Why do we not discuss one or the other?

Mr. KNOWLES: I wish to comment on one or the other or both.

Mr. GILLIS: Take one first.

Mr. KNOWLES: May I first say I think there is considerable validity to the argument that we have to consider what is in the best interests of the purchasers of these annuities, and I certainly do not quarrel with the way in which that argument leads Mr. Croll to suggest that maybe we should continue to lock in the annuities that people have purchased.

But there are arguments on the other side, and I note in particular or draw attention in particular to the evidence Mr. Mercer gave the other day; but when it comes to attempting to find a method of narrowing this section, I think Mr. Croll gets himself into something that he would not want to associate himself with.

In the first place, he proposes to put a means test into the Annuities Act. "In cases of financial hardship" are the words that he proposes to put in there. Well, I hope we are moving away from means tests, not towards them.

As for the other suggestion, and I ask the committee to let me speak to both of them because, like some others, I have another committee I am supposed to attend—but as for the other suggestion I am surprised that he, as a lawyer, throws it out; because, it seems to me it is just adding words to words that are already there. I was glad the minister asked the chairman to read the whole of the section, for it says: "The Governor in Council may make regulation . . . authorizing the surrender . . ." and then, later down in the same section "prescribing the circumstances", and so on. Now, Mr. Croll wants to put in the words which would result in the clause reading: ". . . may make regulations, in specific circumstances provided by regulation, prescribing the circumstances," and so on.

Mr. CÔTÉ: The legal phraseology is always left to the law clerk of the House.

Mr. KNOWLES: I suggest that all of the words, or all of the ideas that are in the second proposal made by Mr. Croll are already there. He has got two ideas: that this shall be left to regulation; and shall be left to specific circumstances set out by regulation. Both of those ideas are already there.

It seems to me it is redundancy compounded, and if you want to narrow the section any more you might as well cut it out altogether. I think that is the choice—either it should be there as is or just deleted completely.

Frankly, I do not see any danger in the section as it stands, I do not see any danger of the government going too far with it. If you put in the wording Mr. Croll uses, you simply compound the language and add confusion.

As a matter of fact, I would suggest that in either case, particularly in the second case, you would very likely run into some course case. People would argue that their particular circumstances meet or did not meet the conditions laid down by regulations. I think you would be just running into trouble.

I have noticed too, if I may say so while I have the floor, the comment made by Mr. Carroll—although I think he did qualify it later on. He said the desirability of protecting people against themselves, of locking in annuity values, was one of the reasons why insurance companies wanted this clause kept out.

Mr. CARROLL: No.

Mr. KNOWLES: They did argue that in their brief, but the insurance company representatives who were here were very honest men and they admitted the reason why they wanted it cut out was that it was interfering with their business.

Mr. CARROLL: Well, of course, the annuitant was getting more interest than their insured people do, and therefore, people would go to the annuities branch to get that interest.

Mr. GILLIS: I know that Mr. Croll's intentions are good. He means well, but I agree with Mr. Knowles.

This is one of the main clauses that the insurance companies are very much concerned about. They claim that this is going to put you completely into competition with the insurance companies. No matter what kind of language we try to use here to change this or water it down, you are going to set an awfully good argument for the insurance companies. First they will say that there is a means test in the government annuity. It won't be said around this table but it will be said in places where they are trying to sell these annuities, or in the press.

Second, and a most important point, is concerned with your group insurance which is just opening up. If you sold the idea in the mind of an employee in a plant or factory that he could not get his money if circumstances compelled him to use that money, when he wants to. It is an awfully good argument to tell a fellow: Well, the government is going to take your money under this scheme but no matter what happens you are not going to get that money back; you cannot use your own money; it is a dictatorship on the part of government in filching your money from you; you do not know enough; you are just a little fellow with a weak mind and you do not know how to use your money; and we have to protect you.

I do not want us to put ourselves in that position. I cannot see anything wrong with the Act as it is.

Mr. CROLL: Have we not carried on since 1908?

Mr. GILLIS: Exactly.

Mr. CROLL: If we don't pass this we are in the same position as we were before.

Mr. GILLIS: Yes, and that is what makes the insurance companies so scared at this time. You are really breaking out of those chains, and I would hesitate to do anything about that clause as it is. I do not care what language you are going to use or how nice you try to be, I am thinking of the argument the other fellow is going to use if he is in competition with you.

If Mr. Croll's language is written into that you are going to have a chain reaction against government annuities of any kind.

Mrs. FAIRCLOUGH: I must admit I have not liked clause (e) right from the start. It is one of the clauses above any other in the Act that causes me some concern and I am thinking in terms of the good to the ultimate annuitant more than anything else.

Despite what Mr. Gillis says about it putting the implication of weak mindedness on these people, I think we all admit that everyone connected with an annuity has some interest in it. A man's wife, and his family likewise, have an interest in that annuity; his employer has an interest in it because he has contributed to it as well.

I feel in regard to this clause, just as well as in regard to some of the others on which I have had such a feeling of reservation, that we have proceeded without the advice of many people who are deeply concerned in the whole matter of this Act.

Mr. GILLIS: They would have been here two weeks ago, Mrs. Fairclough, if they had disagreed.

Mrs. FAIRCLOUGH: I do not agree with that at all. I think that some of these companies have not had an opportunity to appear before the committee. We have heard the life underwriters but they are the only ones we have heard really. We have not heard anybody else.

Mr. CROLL: Everybody else is in favour of it.

Mrs. FAIRCLOUGH: I doubt that very much.

Mr. GILLIS: Silence gives consent.

Mrs. FAIRCLOUGH: No, no! I am not happy about this clause E and I am not completely satisfied with some other aspects, for example, that \$60 is a proper amount for a minimum. No one has given any proof that \$2,400 is the proper amount for a maximum.

The CHAIRMAN: We are now discussing the question of cash surrender, Mrs. Fairclough.

Mrs. FAIRCLOUGH: Yes. I mentioned these things before; and with regard to this cash surrender regulation or clause, I feel we have not given it sufficient consideration, and that we have not any idea at all what effect it is going to have upon the established pension funds or schemes in our municipalities or industrial plants where they have an established pension scheme. Let us remember that in a municipality every taxpayer subscribes to that pension scheme because the taxpayer pays, through his real estate taxes, the employer's portion of the amount which is contributed towards the annuity. It is quite right and proper that they should do so because they are, in effect, employers. Every citizen is an employer of the civic staff and he has a responsibility to those people.

As citizens they have an interest in this bill. But none of those people has been heard for their representative. I think it would have been a fairly simple matter to bring down here the Commissioner of Finance of some city which has a pension scheme with government annuities, and to ask him what effect these various amendments are going to have upon the pension scheme of that city. I think you could get some very interesting information from him. It would be impartial information because it would not be the same as an industrial firm where you might say there would be some reason for bias. Nevertheless, in the case of industrial firms in regard to the cash surrender value, if the firm itself has subscribed a half, let us say, of the annuity or pension, who is going to say, or who is going to make the decision whether the company itself is to permit or even to suggest that this cash surrender value be made applicable to one man and not to another?

I do not think there is any industrial firm which would deny to a needy employee or ex-employee the privilege of cashing in that annuity where he was in dire need, such as if there were great distress in his family, and he needed those funds badly.

Mr. BROWN (*Essex West*): Would you not go along with Mr. Croll, then?

Mrs. FAIRCLOUGH: We have heard a lot about borderline cases, about somebody who fancies that he wants to cash it in, when all he might really want to do is to purchase a piece of furniture.

Mr. GILLIS: Is it not true that insurance companies carry this type of provision in their annuities, and that the insurance companies are forcing us into this field?

Mrs. FAIRCLOUGH: No, I do not think so. I think there is a big difference between an annuity paid for entirely by an individual and an annuity one half of which is paid for by someone else.

Mr. GILLIS: Would not any of the group plans of which the underwriters spoke have these provisions?

The CHAIRMAN: Mrs. Fairclough, no one has been invited to appear before this committee; they have come here at their own request. For instance, Mr. Mercer come here from Vancouver to appear before the committee I do know that the Canadian Construction Association, Canadian Manufacturers' Association, Canadian Chamber of Commerce, and all of the major labour organizations were furnished with a copy of this bill.

Mrs. FAIRCLOUGH: Was every firm on this list furnished with a copy of this bill?

The CHAIRMAN: I won't say "every firm", but probably it was furnished to their associates such as the Canadian Manufacturers' Association, the Canadian Construction Association, and so on.

Mrs. FAIRCLOUGH: And were all the municipalities furnished with a copy of this bill?

The CHAIRMAN: I won't say that, but quite a representative cross-section of the public were, through their associations. They were advised in regard to this legislation by having a copy of the bill placed in their possession, a considerable time ago.

Mrs. FAIRCLOUGH: Would you not think that every association which has a pension scheme under the Government Annuity Act would be interested in this bill and should have been invited?

Hon. Mr. GREGG: Mr. Chairman, I do not want to discuss uncertainties with Mrs. Fairclough regarding the clause in question, but on a matter of information, let me say that upon notification of the resolution on the order paper and when the resolution was brought in, I personally outlined what this was expected to do.

Mr. BROWN (*Essex West*): What date was that?

Mr. CROLL: November 8.

Hon. Mr. GREGG: There was a first reading, and a second reading with some discussion of these subjects on each occasion. I think if the chairman of the committee had undertaken to invite everybody who might be concerned, he would have been bound to leave out somebody who might be considered as most concerned, and the coverage would have been incomplete. But with regard to rushing this bill, at least it has not been my intention to do so. The reason I wanted this bill referred to this committee with respect to this section and one or two others was in order to get a complete and unbiased discussion on these matters. It is not the intention of the government to try to put the insurance companies out of business. I can assure you of that.

As far as I am concerned as minister, my interest in this paragraph E was primarily, if not almost entirely, to have some instructions whereby we in the department could overcome cases of difficulty. In that regard I felt we were working under proper motives. And as it stands now, the government would have to take the responsibility for anything that is done. But I can assure the committee that, with all the discussion here, I hope that this item may be carried. In view of the information which has been given to the committee and to each member as an individual, when the regulations come to be drafted, it will be done in the light of the general feeling of the committee.

Mrs. FAIRCLOUGH: I must agree with Mr. Knowles that either the section should stand as it is or be taken right out of Act because I do not like these amendments. I cannot see how they are capable of proper interpretation. So I think that regulations which might be made by the Governor in Council are much more likely to cover the various situations than any amendment to this clause.

Hon. Mr. GREGG: Assuming then that it was the will of the committee to leave it in the bill, would your opinion be that it should be very restrictive or reasonably so?

Mrs. FAIRCLOUGH: I think it should be very restrictive and in so saying, Mr. Chairman, and through you to the minister, that does not mean that I approve of the section being left.

Hon. Mr. GREGG: No.

Mrs. FAIRCLOUGH: I would much prefer to see that section taken out completely because there will always be another session coming up and if, after time has elapsed and this has received consideration by all concerned, it is deemed feasible, it could be inserted in the Act at any time, let us say, at the 1952 session. I would like to say that I feel the whole bill should be left over until the 1952 session. I expressed that opinion privately to the minister on a previous occasion, as he will remember, and I can see no reason why it should come up at this session, this special session of the House. This thing is not a part of the government plan that was to be promoted at this special session, when the session was called, and I cannot see why it has to go through this year. As a matter of fact, I would like to move that the whole bill be laid over until next session.

Mr. CROLL: May I say just a word which will probably bring the discussion to a head?

The CHAIRMAN: Mr. Croll. Pardon me, Mr. Croll. Mrs. Fairclough, I take it that you are so moving?

Mrs. FAIRCLOUGH: Yes, Mr. Chairman.

The CHAIRMAN: Another member of the committee has been trying to catch my eye.

Mr. CÔTÉ: Mr. Chairman, on a point of order, I suggest that the motion made by Mrs. Fairclough cannot be received at this time because we already have before us a motion by Mr. Croll, and until we have disposed of his motion, we cannot entertain another one.

Mrs. FAIRCLOUGH: Very well. I will present my motion when Mr. Croll's motion has been disposed of.

The CHAIRMAN: There is no motion by Mr. Croll.

Mr. BRYCE: I do not happen to have a legal mind, but I would like to ask the minister or Mr. McCord a few questions. This clause E is going to give a man or woman who has bought an annuity the cash value for it if he or she wants it. You put that in because other people do it. They do not buy government annuities because they can only get that benefit from the insurance companies. Well then, as Mr. Carroll has said, if somebody should come along and say: "I want to buy an annuity for my son, and I want to see to it that he does not get it until he matures," is it still possible to buy that sort of annuity from you?

Mr. McCORD: Yes.

Mr. BRYCE: You can buy the two kinds.

Mr. McCORD: The option would be entirely with you, the purchaser.

Mr. BRYCE: Then let us have that and be done with it. Everybody should have the freedom to exercise his own will, and if he wants his money, he should get his money. So I think it is right and proper that there should be provided a clause such as that.

Mr. BYRNE: I think we should not be too concerned about the group of people who are in a moneyed position so that they can buy an annuity for their sons retiring at age 65. That is one observation I have here. Several

people have been concerned about their sons this morning; and if they provide for their sons sufficiently, and if they are left with the facilities to provide for their sons' annuities, I think they are doing well. At least, I would consider that I was doing well.

Now then, there is this question of group contracts. I do not think we need to be too concerned about what is in the Act, because, invariably an employer and employee, on an employer and the employees' agent will conclude an agreement that will set out all the aspects of their plan, such as how they can withdraw the surrender value of their policies or annuities, and that will be left if there is a contract. It won't be said that an employee can, after 5 or 6 years, withdraw without the employer having something to say, because the employer's money will be withdrawn at the same time, or there will be a clause to assure the continuity of the agreement for the individual contract if this clause is left in. We are going into the banking business and if it is thought that is desirable, then let us go ahead. But I would not like to see this clause changed any, if it is going to put the employee in a position where he has to prove whether he is or is not destitute. That is a pretty difficult thing to do. I may have an annuity and I may desire to have some money before Christmas and I may want it very badly, not just to buy Christmas presents alone; but I may want to get some of it out. I think it should either stay as it is, or be completely withdrawn.

The CHAIRMAN: Mr. Croll.

Mr. BALCER: Is this going to close the argument, Mr. Croll?

Mr. CROLL: No. I just want to say this: I do not agree with Mrs. Fairclough that the people in this country are uninformed about this bill I do not think it is necessary for us to have a referendum either of municipalities or of any of the other people. I think they have been well informed.

I for one have been drumming at the minister for a very long time—to make changes in this Act along the line indicated here. I do not agree with Mr. Knowles that it involves a means test. After all, there is no gift here. It is his own money.

Mr. KNOWLES: Call it a hardship test; the same thing.

Mr. CROLL: It is merely returning his money to him under certain circumstances. I hope that the result of what I suggested would indicate to the minister our feelings on the bill. The minister has pointedly asked a few questions this morning as to whether we wanted it left as it is or made more restrictive. I think the indication has been that we want it restricted. I cannot join with anyone in an attack upon the principle of this bill.

Mr. CARROLL: Hear, hear!

Mr. CROLL: I am entirely and wholeheartedly for it. I have had some qualms of conscience about the possibility of people taking out their money. Only as recently as last week I communicated with the department, because people, who should not do so, had written to me asking me if they might cash in their annuities after the bill was passed. I had to tell them what the bill contained. I was rather surprised that they asked for the information because they were people who were not in need but who intended to take their money out and use it for other purposes such as business ventures. That concerned me. I do not think it should be done. I am merely throwing out a few suggestions to the committee. I have re-read the section and I am rather surprised by the words at line 15 "prescribing the circumstances in which, the person to whom..."

Mr. CARROLL: That is right.

Mr. CROLL: And since my suggestion is leading to an attack on the bill and the principle in the bill, I must ask—and I must say to the chairman and to the members—that I now withdraw both of my suggestions. I so stand by the principle of the bill as is.

Hon. Mr. GREGG: Does Mr. Croll have any comment to make on line 14, “. . . and repayment of the whole or any part . . .”?

The CHAIRMAN: Line 14, page 6 of the bill.

Mr. CROLL: I do not think so. My feeling is that we ought not to be in the banking business. But if you lay down regulations you will have to meet them as circumstances and experience will indicate to you as the best thing to do. I appreciate your desire to meet them, but so far as I am concerned, section E stands as is.

Mr. LENNARD: Mr. Chairman, it is now 10.30.

The CHAIRMAN: In view of the discussion that has taken place on this subparagraph, shall we continue now or adjourn?

Mr. LENNARD: I thought it was agreed yesterday that we adjourn.

Mr. CROLL: I have a very important committee to attend this morning. I consented to have this meeting at 9:30 today.

Mr. CÔTÉ: Mr. Croll suggests that he is withdrawing his motion.

Mr. CROLL: I suggested that I had no motion.

Mr. CARROLL: Mr. Chairman, in view of the understanding that there are going to be regulations made, and in view of the other suggestions, I have no opposition.

Mr. BROWN (*Essex West*): You won't always have the same minister.

Mr. CARROLL: I agree that Mr. Croll should withdraw his motion.

The CHAIRMAN: It was not a motion.

The CHAIRMAN: Shall subparagraph E carry?

Mrs. FAIRCLOUGH: No, the discussion is not over yet.

Mr. BALCER: It has only started.

Mr. BROWN (*Essex West*): I move that we adjourn.

Mr. CROLL: Mr. Chairman, we can sit while the House is sitting but we have two very important committees that are functioning now. The combines committee is trying to close up and we will be sitting quite steadily. I would like to be able to vote on this, but I think the combines committee is the only one which is likely to get in your way.

The CHAIRMAN: Shall we sit tonight?

Mr. CROLL: There is a meeting of another committee tonight.

Mr. CÔTÉ: I suggest then that we meet at the call of the chair.

Mr. CROLL: Yes.

The CHAIRMAN: The meeting is now adjourned.

The meeting adjourned.

HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament
1951

(Second Session)

STANDING COMMITTEE

ON

INDUSTRIAL RELATIONS

Chairman: Mr. A. FRED MACDONALD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

BILL No. 23

An Act to amend the Government Annuities Act

FRIDAY, DECEMBER 7, 1951

WITNESSES:

Mr. C. R. McCord, Director, Annuities Branch, and

Mr. A. H. Brown, Executive Officer and Solicitor, Department
of Labour.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

MINUTES OF PROCEEDINGS

FRIDAY, December 7, 1951

The Standing Committee on Industrial Relations met at 9.30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Balcer, Black (*Cumberland*), Breton, Brown (*Essex West*), Bryce, Byrne, Carroll, Cloutier, Côté (*Verdun-LaSalle*), Croll, Gauthier (*Lake St. John*), Gauthier (*Sudbury*), Gillis, Knowles, Lennard, Macdonald (*Edmonton East*), Pouliot, and Fairclough (Mrs.).

In attendance: Hon. M. F. Gregg, V.C., Minister of Labour; Mr. A. MacNamara, Deputy Minister of Labour; Mr. C. R. McCord, Director, Mr. J. E. Davidson, Assistant Director, Mr. J. G. Fletcher, Actuary, Annuities Branch, and Mr. A. H. Brown, Executive Officer and Solicitor, Department of Labour.

The Chairman read the Fourth Report of the Sub-Committee on Agenda and Procedure, which is as follows:

The Sub-Committee on Agenda and Procedure having met on December 6, recommends:

1. That the next meeting of the Industrial Relations Committee be held at 9.30 o'clock on December 7.

2. That a telegram from The Life Underwriters, Brantford, and a letter from Mr. J. G. McIntosh, Victoria, B.C., be put on the record of the Committee. See Appendices "A" and "B" to this day's evidence.

On motion of Mr. Croll,

Resolved,—That the Fourth Report of the Sub-Committee on Agenda and Procedure presented this day be now adopted.

On motion of Mr. Croll,

Resolved,—That a communication from the Trust Companies Association of Ontario and Quebec be placed on the record.

On Clause 5

Mrs. Fairclough moved that paragraph (e) of new sub-section (1) of section 13 of the Act be deleted from the Bill. Motion negatived.

Mr. Côté moved that paragraph (e) of the new sub-section 13 of the Act be amended to read as follows:

(e) authorizing the surrender of the right to receive an annuity, or any part thereof before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor up to an amount not exceeding five hundred dollars, and prescribing the circumstances in which, the person to whom and the conditions, including the payment of interest, if any, under which repayment may be made;

Discussion continuing thereon, at 10.30 o'clock a.m., on motion of Mr. Knowles, the Committee adjourned to the call of the chair.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

December 7, 1951.

9.30 a.m.

The CHAIRMAN: Lady and gentlemen, we have a quorum. I would read the fourth report of the subcommittee on agenda and procedure which met yesterday:

The subcommittee on agenda and procedure having met on December 6, recommends:

1. That the next meeting of the Industrial Relations Committee be held at 9.30 o'clock on December 7.
2. That a telegram from The Life Underwriters, Brantford, and a letter from J. G. McIntosh, Victoria, B.C., be put on the record of the committee. (See Appendices, A and B.)

All of which is respectfully submitted.

May I have a motion for adoption of this report?

Mr. CROLL: I move adoption.

Mr. GAUTHIER (Sudbury): I second it.

The CHAIRMAN: Moved by Mr. Croll and seconded by Mr. Gauthier (Sudbury) that the report be adopted.

Carried.

Gentlemen, in previous meetings of this committee I have endeavoured to be as lenient as possible in allowing discussion on practically the whole bill on each clause of the bill. Now, this morning we are discussing clause 5, section 13, subsection 1 of the Act, subparagraph (e). Now, I would ask your very earnest and sincere co-operation in endeavouring to restrict any remarks in committee this morning to this one clause.

Mr. KNOWLES: Before you leave that, Mr. Chairman, I think in defence of Mr. Balcer I should point out that he did ask yesterday that when we finished this he would be permitted to make some remarks on another clause.

Mr. CROLL: Mr. Chairman, the insurance companies have been heard before this committee, but the Trust Companies Associations of Ontario and Quebec have not been heard. They have a memorandum here which I present to the committee for the purposes of the record so that the committee may have it before them. I ask leave that it be read into the record of the committee. They can deal with it as they see fit.

The CHAIRMAN: What is your pleasure, gentlemen?

Mrs. FAIRCLOUGH: I would like to speak to that. You will recall that I raised a point before that some of these people have not been given an opportunity to make representations to this committee and I was told that they had been advised as long ago as the 8th November and that they, therefore, had plenty of opportunity. Now, when the steering committee met yesterday and when this matter came up, you will recall you told me that these letters went out to the Canadian Manufacturers Association and the Chambers of Commerce, and so on, on the 23rd November. That seemed to be an adequate

time to me until I got back to my office and looked at the calendar and discovered that the 23rd November was a Friday. We know a lot of these firms do not have their offices open on Saturday and that there was a chance that the communication was not received by these people until the 26th November, and since the Canadian Manufacturers Association and the Chambers of Commerce would only then proceed to notify their members, I do not see how they could possibly have an opportunity to receive this information before the date on which we decided to close for receipt of further representations.

The CHAIRMAN: There was no decision made, Mrs. Fairclough, as to when we would close or stop receiving representations. It has been wide open until this moment.

Mrs. FAIRCLOUGH: Did you not say a week ago—

The CHAIRMAN: No, we did not adopt that portion of the report.

Mrs. FAIRCLOUGH: Oh, that is right.

Mr. CROLL: Is there any objection to tabling this memorandum?

Mrs. FAIRCLOUGH: Then we started to consider the bill and we are practically through considering the bill and, as I have said, there are people we have not heard. The only people we have heard are the insurance people and now this morning we receive a communication from the trust companies.

Mr. CROLL: Mr. Chairman, may I point out to Mrs. Fairclough that I can read this in when the section comes up as a submission and say it comes from them. Now, in an orderly fashion I am asking that it be put into the record. I neither endorse nor object to it, I merely ask that it be put in the record so that members will have an opportunity to look at it.

Mr. BROWN: There is a motion before the committee and I would like to second that motion.

The CHAIRMAN: There is a motion moved by Mr. Croll and seconded by Mr. Brown that the letter from the Trust Companies Association of Ontario and the Trust Companies Association of Quebec be read into the record. What is your pleasure?

Mrs. FAIRCLOUGH: I am still speaking to that motion, Mr. Chairman.

The CHAIRMAN: Yes, Mrs. Fairclough.

Mrs. FAIRCLOUGH: I have no objection to that going in, in fact I think it should go in, but I am trying to point out that this is only one and that I still think we should have more information from other interested people; we are fast coming to the close of discussion on this bill and I am quite willing to support the motion to put this communication on the record, but immediately that motion is passed I want to make a motion.

Mr. LENNARD: My objection was not to putting it on the record, but the fact that our printed reports are coming in so late; we will only get the printed report of our meeting this morning possibly on Christmas Day, by remote control.

The CHAIRMAN: I am not saying when you are going to get the further printed proceedings of this committee, but might I say that within two working days after the close of the first two sittings of this committee you had reports 1 and 2. Now, if they can keep up that procedure it certainly will not be Christmas Day.

Mr. BALCER: Was this memorandum addressed to the committee or to Mr. Croll?

The CHAIRMAN: This memorandum was addressed to The Standing Committee on Industrial Relations and it is from The Trust Companies Association of Ontario and The Trust Companies Association of Quebec. It reads:

1. Following a review of the discussions of your committee, it has developed as a matter of some concern to our associations that little or no consideration has been given to the present existence of trustee or self-insured pension plans or the possible effect the proposed bill No. 23 may have on their future.
2. Our concern is, first of all, as to why the government should be in the group annuity business at all. If it is decided group annuities must be continued—then we believe they should be costed on a realistic basis—not as a charge on the taxpayers as a whole.
3. *Cash Surrender Values*

This appears to be a contentious point. We put forward a suggestion for your consideration:

Cash values be available on an expense loaded basis only for,—

- (a) Total and permanent disability
- (b) Removal from this country
- (c) Marriage in the case of females.

The foregoing provisions will provide for relief in necessity but, at the same time, preserve the primary and essential purposes of the annuities.

The Trust Companies Association of Ontario

per J. FRASER COATE,

The Trust Companies Association of Quebec

per HERBERT GILBERT.

Mr. KNOWLES: Now that you have read it into the record, Mr. Croll might as well withdraw his motion. The deed is done.

The CHAIRMAN: Is there any further discussion on the motion? All those in favour? Opposed?

Carried.

Mr. CROLL: Very well done, Mr. Chairman.

Mr. BALCER: Mr. Chairman, if a member can table a letter that he received from a trust company I would like to have permission to table these telegrams that I have received from small organizations in my riding. Some of them are from associations and some are from private individuals.

The CHAIRMAN: Are they addressed to the committee, Mr. Balcer?

Mr. BALCER: No, they are addressed to myself.

The CHAIRMAN: I am afraid if they are not addressed to the committee they cannot be incorporated in the record.

We are now discussing— —

Mrs. FAIRCLOUGH: I said before I had a motion to make when this resolution was adopted.

In view of the fact that I do not believe there has been sufficient time to hear all of the people who would like to have been heard; also, in view of the fact that I think this committee should have taken steps to call here, some interested parties, reference to whom I made earlier in these proceedings, I would like to move that this whole bill be held over for consideration until the Spring session.

The CHAIRMAN: I would like to point out, Mrs. Fairclough, that we are not discussing at the moment whether the bill shall carry or not or whether it shall be reported from this committee, we are now discussing subparagraph (e) of the section referred to.

Mrs. FAIRCLOUGH: Very well then, Mr. Chairman, I will hold my motion until the proper time comes for its presentation, but I intend to move it again.

Mr. CROLL: That is quite in order.

Mr. CÔTÉ: Mr. Chairman, before we go any further I would like to get the record clear, I would not like to go unnoticed the remark Mrs. Fairclough made to the effect that some representatives who had asked to appear before this committee had not been invited to come here.

Mrs. FAIRCLOUGH: I made no such statement, Mr. Chairman.

Mr. CÔTÉ: I am sorry, I understood you in the latter part of your remarks to say since some were invited— —

Mrs. FAIRCLOUGH: Oh, no, I said I thought some should have been called.

Mr. CÔTÉ: We have to be clear on this. You see, the resolution was introduced into the House on the 8th of November, and in the Minister's statement in the House, and as reported in the press, the two main features of the bill were well stressed; the increase in the maximum, and the cash surrender value. The press gave fair publicity to that all across the country; then, further reference was made to it on the 15th; and, on the passing of the bill on the first reading, which I think was on the 23rd— —

Mrs. FAIRCLOUGH: It was on the 23rd.

The CHAIRMAN: I believe it was on the 23rd, that is my recollection.

Mr. CÔTÉ: Well, in any event, Mr. Chairman there were at least four notices to people interested.

Mrs. FAIRCLOUGH: Do you call a newspaper article a fair notice?

Mr. CÔTÉ: I do, when referring to organized groups such as those mentioned.

Mrs. FAIRCLOUGH: I am sorry, I do not agree with you on that. The situation is this; here this morning we have Mr. Croll putting a letter from the trust companies of Ontario and Quebec on the record; and then, at our last meeting I think it was, the chairman read a letter into the record from the Trades and Labor Congress of Canada. For my part, I think there are a great many interested groups and people whom we should have had before the committee. Personally, I think notices should have been sent to all municipal corporations who are presently operating a pension scheme under the government Annuities Act—municipal corporations, industrial concerns and so on.

Mr. BROWN: Do you mean to say that you would send notices to every municipal corporation across Canada?

Mrs. FAIRCLOUGH: Well, we have a list here.

Mr. BROWN: How do you know whether they have a pension fund?

Mrs. FAIRCLOUGH: This is the list.

Mr. BROWN: Of which ones?

Mrs. FAIRCLOUGH: Well, this is the one which I asked the clerk for earlier in the proceedings.

Mr. KNOWLES: Mr. Chairman, may I ask if any people asked to appear before this committee whom we have refused to hear?

The CHAIRMAN: No. Now, we must get down to the business of the morning; that is subparagraph (e) to clause 5 in section 13, which you will find at line 12 on page 6 of the draft bill.

Mr. CROLL: Was there not a motion by Mr. Balcer to come first.

The CHAIRMAN: No, we have received no motion from Mr. Balcer.

Mr. BALCER: No, I just gave notice that when we were through with the bill I would ask the committee to revert to this clause.

Mr. CROLL: When you are through with the rest of the bill you were going to ask the chairman to revert to this particular section?

Mr. BALCER: Yes.

The CHAIRMAN: Subparagraph (e): please.

Mrs. FAIRCLOUGH: I think we had a considerable discussion on this yesterday morning before we adjourned, the point on which Mr. Croll moved an amendment— —

The CHAIRMAN: Mr. Croll did not move an amendment.

Mrs. FAIRCLOUGH: He signified his intention of moving an amendment.

Mr. CÔTÉ: I am the one who took up the point of order. I understood Mr. Croll had made it as a suggestion, but later on in his remarks it became a formal motion. The chair cannot entertain two motions at the same time.

The CHAIRMAN: We did not accept it, Mrs. Fairclough.

Mrs. FAIRCLOUGH: Then why was my motion not accepted by the chair. It was refused for the reason there was already a motion before the Committee. However, to come back to clause (e), subsequently after some discussion I believe it was agreed that the possible amendments Mr. Croll had in mind were already covered in the wording of the clause.

Mr. KNOWLES: The second of his two amendments.

Mrs. FAIRCLOUGH: Yes, and there is a great deal of difficulty attendant on the introduction of cash surrender aspects of individual annuities, and in this particular problem I feel very strongly we should consult with those people who are presently operating group plans under the Government Annuities Act. I think we should enquire as to the effect this is going to have on their own annuities and I think we should talk to the commissioners of finance of the cities operating under this scheme and particularly we should talk with the industrial firms. I am not thinking of any individual or any one group, but as I said yesterday, every taxpayer in every city which is operating under this scheme has a definite interest in it.

The CHAIRMAN: We are talking about cash surrender values.

Mrs. FAIRCLOUGH: Very well. I move that clause (e) be deleted from this section 13(1).

The CHAIRMAN: You have heard the motion by Mrs. Fairclough, are there any questions?

Mr. BROWN: Any seconder?

Mr. LENNARD: You do not have to have a seconder in committee.

Mr. CARROLL: Has there been any objection raised by any of the organizations you mentioned to subsection (e)?

Mrs. FAIRCLOUGH: I have heard no specific objection but in discussion I have had it intimated to me that it is an undesirable feature.

Mr. BLACK: I was very much in sympathy with the representations put before the committee by Mr. Croll and I do not think cash surrender should be made easy, it should be made difficult.

Mr. CÔTÉ: I am not prepared to give the motion before the chair any support at this time, in view of the fact that this amendment, clause "E", is in the bill on the recommendation of the department based on experience and on representations received. I fully agree with the insertion in the Annuities

Act of the principle of cash surrender value. Of course application of that principle may be a hard one since the department never thought of making this a strictly competitive ground with the insurance companies. It has been known all the way through the discussions that the government does not want to go all out and compete with the insurance companies. I would ask the members, while discussing the motion, whether we could not insert a restriction of some kind in the clause. My suggestion would be that we provide for a maximum cash surrender privilege and I would think that a maximum of \$500 could be paid on surrender of any contract. This would meet with most of the requirements of the department and on the other hand would facilitate the administration of this part of the act. It would avoid giving a carte blanche to the Governor in Council to which some have objected, I understand. If it would be more appropriate to make my motion as a subamendment I would do it, and move that the main motion be amended. Accordingly.

Mr. BYRNE: I endeavoured to point out yesterday, and I may say with evidently little success, that I would have little concern about the cash surrender value of group annuities. Group annuities is something that has been decided between the employer and the employees or their bargaining agent, and in many cases the bargaining agent does not have the full support of everyone in his bargaining unit. Perhaps he has 80 or 90 per cent and that leaves 10 per cent of the people against it. Now, there may be 10 or 20 per cent of these people who are being forced to put money into an annuity or insurance plan, if you like, but they are being forced to do that because the majority have decided. There may be 5 per cent who have other reasons for saving their money. Some might want to use it for the education of their children and may want to use it at that time. It is true the company is paying one-half of that, but in most cases when negotiating they say there is so much for a pension plan and that is part of your wages. The man is doing it voluntarily and perhaps decides after ten years he wants that money for the purposes he intended to save it for in the first place and wants to withdraw it. It may be more important to him to have the cash surrender value than the individual contract.

Mr. BROWN: May I ask Mr. Côté if his proposed amendment would be across the board or just in cases of permanent disability?

Mr. CÔTÉ: I would make it applicable to all because I was struck by the remark made at the last meeting by Mr. Knowles that in following one of the suggestions by Mr. Croll, we would be writing in a means test.

The CHAIRMAN: Are you moving that as an amendment?

Mr. CÔTÉ: Yes.

The CHAIRMAN: Would you be good enough to read the section as it would be amended?

Mr. KNOWLES: On a point of order may I suggest that what Mr. Côté is proposing is hardly a proper amendment to Mrs. Fairclough's motion. Whether or not her motion is necessary, it is to the effect that clause (e) be deleted. The decision of the committee will be made one way or the other, and for the moment I am not saying whether I support the amendment or not, but we should wait until we have decided Mrs. Fairclough's motion before an amendment such as Mr. Côté's is proposed.

Mr. BROWN: I think Mr. Côté can move the amendment to this section and Mrs. Fairclough is not in order. She can merely vote against the adoption of this resolution and Mr. Côté's motion would be really a motion to vary the clause as before us.

Mr. KNOWLES: What I am saying is that Mr. Côté's amendment is not a proper sub-amendment. It is another amendment to the main motion.

Mr. CARROLL: If there is a decision on the lady's motion then this subsection (e) stands.

Mr. KNOWLES: If it stands my friend can then move his amendment.

Mrs. FAIRCLOUGH: That was the very point, if I may interrupt Mr. Carroll, of my motion. If my motion is defeated Mr. Côté can still move an amendment—but if we merely proceed on the approval of section (e) then what you say is quite true. If this is defeated then it could not be further amended—that is why I think my motion is preferable.

Mr. BROWN (*Essex West*): I do not think that is right. You have the clause before you.

Mr. BYRNE: Let us vote on the motion.

Mr. BROWN (*Essex West*): You have a motion to defeat this clause—and if the motion is defeated it is all over and Mr. Côté comes along then with his motion to amend the clause.

Mrs. FAIRCLOUGH: That is right.

Mr. CROLL: Would it not answer your objective, so we can vote on it, to allow it to go as an amendment? Your position is the same as it was before? Does it change anything?

Mrs. FAIRCLOUGH: I think there is a definite distinction.

The CHAIRMAN: Mr. Côté wishes to move an amendment to the motion of Mrs. Fairclough, I would suggest to Mr. Côté, that he wait until we have decided the motion of Mrs. Fairclough, and then present his amendment.

Mrs. FAIRCLOUGH: It seems to me it is a very simple thing. I have no objection to the presentation of Mr. Côté's motion but I think it is in the wrong place as an amendment to the motion which I made.

Mr. BROWN (*Essex West*): What was your motion?

Mrs. FAIRCLOUGH: That clause (e) be struck out.

Mr. CROLL: Let us vote on that.

Mr. BROWN (*Essex West*): If it is struck out then it is all over and we cannot amend it.

Mr. CROLL: Well, we can do what we want here.

Mr. LENNARD: Keep that on the record.

Mr. CROLL: Certainly.

Mr. CÔTÉ: The committee is master of its own proceedings.

The CHAIRMAN: I am in the hands of the committee but I feel that it would simplify the proceedings if we decided the motion of Mrs. Fairclough first. Is there any further discussion on the motion that the sub-paragraph be deleted from the bill?

Some Hon. MEMBER: Question.

Mr. LENNARD: Just a minute. If Mrs. Fairclough's motion is lost we can still continue to discuss this clause?

Mr. CROLL: Oh yes, certainly.

The CHAIRMAN: All those in favour of Mrs. Fairclough's motion please signify? Those against?

I declare the motion lost.

Mr. CÔTÉ: I would like now to move, subject to final proper drafting of the law officers, which is always necessary, that subsection (e) presently under consideration be amended by adding after the word "repayment" the following words: "to the extent of a maximum amount of \$500."

Mr. BLACK: Mr. Chairman, if this amendment proposed by Mr. Côté should carry I would ask if, in the administration of it, it will be subject to regulations under control of the department?

Hon. Mr. GREGG: Mr. Black, that is covered on the previous page. The amendment would not change the wording of the main section as it now stands: "The Governor in Council may, on the recommendation of the Treasury Board, make regulations . . ." as it now stands or with any amendment that may be made to it.

Mr. CARROLL: Well, Mr. Chairman, does not the Act as it stands now, or the subsection as it stands now, give the Governor in Council just what is proposed by the amendment of Mr. Côté?

Mr. KNOWLES: The words "in whole or in part" would seem to do that.

Mr. BALZER: Personally, I would prefer to limit the powers of the Governor in Council by saying a specific amount in specific circumstances, because there is no use in putting in the words of Mr. Côté and the amount of \$500 if the Governor in Council can do whatever he likes with it.

Hon. Mr. GREGG: May I comment on that?

The CHAIRMAN: Yes, Mr. Gregg.

Hon. Mr. GREGG: True, such a suggestion as is made by Mr. Côté would take place for these purposes with "in whole or in part" because "in whole or in part" was put there to show parliament that it was the intention of the government to take into consideration a ceiling there. Even though a restrictive figure were put in at that place, and I hope Mr. McCord will correct me if I am wrong, there would be certain other less important features in this which will have to be dealt with by regulation.

Mr. BROWN (*Essex West*): In other words the regulation could not go beyond \$500?

Hon. Mr. GREGG: This would just be an item that would not have to be decided by regulation—but there would be other items ancillary to it.

Mr. CÔTÉ: If I did not, in my opinion, ask for the striking out of the words "in whole or in part" it was because I had in mind that a case might present itself where the equity of the purchaser might be of \$500 and more, but that he might require less than the maximum amount that we are inserting. He might require only \$250.

Mrs. FAIRCLOUGH: On the other hand he might take the whole of it and still not have \$500.

Mr. BROWN (*Essex West*): If he had \$1,000 he would only be able to take \$500.

Mr. CÔTÉ: He might require less than \$500 and I did not want to make it imperative for him to take the whole \$500—and that is why I left the words "in whole or in part".

Mrs. FAIRCLOUGH: I would like to ask Mr. Côté there—he is suggesting inserting these words after "repayment"?—

The CHAIRMAN: He has so moved.

Mrs. FAIRCLOUGH: But if he proposes to leave in "of the whole or any part of the purchase price paid therefor . . ." would it not be better to put the words "to the extent of a maximum amount of \$500" after the word "therefor"?

Mr. CÔTÉ: It could be. That is why I prefaced my remark by saying it would be subject to the final drafting of the law officer. The law officer also might think some qualification might be added to the first line "...surrender in whole or in part ...of the right to receive..." to give effect to the motion. I leave that point to the law clerk for further decision, but the intent of the motion is very clear.

Mr. CARROLL: I am absolutely against this motion.

Mr. GILLIS: So am I.

Mr. CARROLL: I do not want to place any restrictions in this Act. If we are going to allow people to surrender policies I do not want any restrictions as a statutory matter, but I am quite willing to leave it in the hands of the administrators of this Act. If they administer this Act as they have done other matters in the Department of Labour, I am quite sure everybody will get a fair show. The moment you begin laying stress upon the fact that a man can get the whole or any part, but then limit it to \$500, I think it is a restriction that will play the devil with many annuities.

Mr. BROWN (*Essex West*): I do not quite agree with that, Mr. Chairman. It is a matter where we should be willing to bend a little bit. There are apparently two divergent points of view. I think we should try to meet the wishes as closely as possible of all parties, so for that reason I am willing to go along with Mr. Côté's motion. I think it is in order, and I think anyone who is in need of \$500 would take care of that emergency. There would be very few of those who would have equities up to \$500, and especially working people. In any event, we are not in the banking business under this Act and I think we should be willing to concede and bend a little bit for the purpose of getting unanimity in the committee.

Mr. GILLIS: It is not a matter of getting unanimity. I would rather be right alone than wrong with a thousand. You are dealing with a principle here, the principle of cash surrender; and if you start quibbling with it, you are not going to do it any good. If we begin to write restrictions in the clause, we will be defeating the very purpose for which we are writing this in the Act. I am quite prepared to leave it with those in authority in the department who have to make the regulations. I am opposed to writing in a restriction. It does not mean anything financially anyway because very few people will ever have more than \$500 to take out. It is only quibbling with words and it does not mean a thing except to gum up the wording of the clause. I am in favour of it remaining as it is, but let us not fool ourselves by writing in weazel words which do not mean anything.

Mr. KNOWLES: Mr. Chairman, my first reaction to Mr. Côté's amendment was to suggest something which might not be very popular, that this matter stand over for a future meeting. But I was reluctant to make that suggestion because I dared to hope, when we came here this morning, that this would be our last meeting. But this is quite a unique proposal that has been made and I think it does require some pretty careful consideration. If the committee wants to spend time on it now, it is all right with me; but just to throw out some of the thoughts which have occurred to me since it was made, might I suggest that in addition to the main difficulty which Mr. Carroll, Mr. Gillis and possibly others have pointed out, that a question arises in the case of a participant in group contracts as to the distinction between the employees' money and the employers' money. I wonder if Mr. Côté has thought that through?

Is the person under Mr. Côté's amendment trying to get back his \$500 going to be told: "A part of that money is not yours because a part of it was put in by the employer and you cannot get it back." I think that is something more than a lawyer's question. I am not a lawyer, but it does seem to me that it is a problem you are going to run into.

Some have said that not very many people who get into difficulties and want to take out their money would have much more than \$500 equity in it; yet I believe there will be cases of employees, let us say, who have been with a firm for a number of years, as Mr. Byrne has suggested, where the employee's

contribution and the employer's contribution will create a fund of a larger amount than \$500, so I can see various difficulties in trying to draw an arbitrary line of that character.

On the other hand, I made a suggestion the other day about drawing a line in connection with another aspect of this matter, when Mr. A. H. Brown from the department told me that it would be possible to deal with it under the wording of the Act. But it did not go much further than that.

The CHAIRMAN: Order.

Mr. KNOWLES: I refer to my suggestion that there might be a line drawn between lower annuities which could be paid at a higher rate of interest, and annuities in the upper bracket which could be paid at a slightly lower rate of interest. Only scant attention was paid to the drawing of a line which I thought was important, but now we have a proposal to draw a line in this matter which I do not think is as important as the other one was. So far that is just a bit of thinking out loud on my part, but I do think we have to be very careful before we write this kind of arbitrary line into a clause, especially when the authority is already given to the minister or to the Governor in Council to deal with it in that way, if in their wisdom they thought they should.

The CHAIRMAN: You have asked a specific question in your remarks, Mr. Knowles. Would you like some clarification of it? Do you suggest that it might be answered by Mr. Côté, or would you like one of the departmental officials to answer it?

Mr. KNOWLES: You are referring to my question concerning the distinction between the worker's contribution and the employer's contribution?

The CHAIRMAN: Yes.

Mr. CÔTÉ: Mr. Chairman, I think Mr. Knowles should not lose sight of the fact that the right of an employee in the vested moneys is regulated, of course, by the pension plan. The department only underwrites that plan.

Mr. KNOWLES: That means that we would be back again to the question of when an employer vests.

Mr. BROWN (*Essex West*): When the pension vests.

The CHAIRMAN: Mr. McCord.

Mr. McCORD: As Mr. Côté said, it depends on the plan at what stage and at what time the employer's contribution vests in the employee. I believe it is the practice of the trade—

Mr. KNOWLES: What do you mean when you say "the practice of the trade"?

Mr. McCORD: I understand that it is the practice in the trade for example—insurance companies, in dealing under their type of plan, when an employee surrenders his contract or contracts, that he takes out only his own contribution. However, that, again, I presume, is perhaps part of their plan. But as far as we are concerned, we are underwriting a plan, and if that plan calls for the vesting of the employer's contribution under all circumstances, then the employee is entitled to it; but if it does not, he is entitled only to his own contribution or to the annuity which would buy.

Mr. POULIOT: Are we still on subparagraph (e) Mr. Chairman?

The CHAIRMAN: We are, Mr. Pouliot.

Mr. KNOWLES: We are on Mr. Côté's amendment.

The CHAIRMAN: Yes, we have an amendment.

Mr. POULIOT: Well, I have not taken much of the time of the committee except to ask for some information which I did not get from the insurance

companies; and I wonder if it would be too late to ask a question after we are through with the discussion? But in the meantime I understand there is a conflict between the democratic idea of leaving one free to dispose of his money and the security proposition to protect a man against himself.

In my view, that is the problem that is being discussed before the committee now. In view of what has been said, there might be concessions on both sides, and those who hold the view that one should dispose freely of his assets cannot appreciate very much control that is proposed by virtue of that subparagraph.

The CHAIRMAN: Would you care to have me read the amendment to that subparagraph?

Mr. POULIOT: Yes, please read it again.

Mr. CÔTÉ: I would like to reword the amendment so that it would read more clearly.

Mr. KNOWLES: Will you read clause (e) as it would be amended by your amendment.

Mr. CÔTÉ: Yes. Subparagraph (e) "authorizing the surrender of the right to receive an annuity or any part thereof before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor up to an amount not exceeding \$500 and prescribing the circumstances in which the person to whom and the conditions including payment of interest, if any, under which repayment may be made."

Mr. POULIOT: Who would decide about it? Would it be the department, the Governor in Council, or who? Who decides if a case is worthy of consideration?

Mr. CÔTÉ: There would not be any necessity for deciding on that ground because it would be an across the board privilege to any purchaser.

Mr. POULIOT: And those men would only have to write to the Labour Department to get their money back, if they have it in reserve in the account.

Mr. CÔTÉ: There may be certain formalities prescribed in the regulations such as the filling of a special form or something of the like; but there will be an outright privilege for any purchaser who applies to get the benefit of this subparagraph for a cash surrender value.

Mr. POULIOT: But he would not have to give any reason to get his money back, would he?

Mr. CÔTÉ: He would not have any case to make out.

Mr. POULIOT: What is the maximum amount one can have in his annuity reserves? Suppose a man has paid in for quite a number of years.

Mr. CÔTÉ: I would not think that in any individual deferred annuity contract it would require many years of contribution before a purchaser might have a possible reserve of \$500, if and when he asks for a cash surrender. I would like to be corrected in my answer by Mr. McCord if I am wrong.

Mr. BROWN (*Essex West*): What I think Mr. Pouliot means is how much could a person have in reserve?

Mr. POULIOT: Yes, I mean the maximum?

Mr. BROWN (*Essex West*): Suppose he had a maximum contract, how much could he have in reserve?

The CHAIRMAN: Mr. McCord, would you care to speak to that question?

Mr. McCORD: I think that in order to exercise this particular privilege he could have any amount up to \$500 and over; let us say \$20,000; that would usually take care of an outside maximum of annuity that could be purchased;

but a person having an amount of \$500, or at least \$500 could, if he wanted to do so, take out \$500; but he might have to his credit an amount greater than that up to, I suppose, \$20,000, which would be about the maximum.

The CHAIRMAN: Does that answer your question, Mr. Pouliot?

Mr. POULIOT: Yes, thank you, Mr. Chairman. Now, this is naturally a matter of principle. The purpose of the amendment is to protect the investor against himself, to a certain degree. We entrust him up to the amount of \$500; and up to this amount he is free to dispose of that part of his reserve. His reserve may be higher, yet he will not have any consideration for more than \$500. That is the amount.

Now, it must be good or bad. If it is good for a fraction of the investment, if \$500 happens to be a fraction of the investment, then it must be good for the whole investment. And if it is bad for the whole investment, then it cannot be good for a part of it. That is my way of considering the matter. It is good or is bad in whole or in part.

Well now, in all this, and I have attended the committee as best I could, there are many ways to consider the matter. One is the policy of the open door. You may take everything that you have there and it is in conformity with the principles, it seems to me, which were established by the French revolution.

Mr. KNOWLES: Hear, hear, très bien!

Mr. POULIOT: There is another way and that is to apply to the Governor in Council, and the decision will be given according to the recommendations of the Department of Labour, the Minister of Labour, for whom I have great respect. He recommends that Mr. So and so be given back his annuity. The Governor in Council would say, yes, that is all right; but, should the honourable gentleman say no; well, no order in council will be passed. That is the way I understand it and it is ridiculous, it is just adding that much more red tape.

Mr. CÔTÉ: But, Mr. Pouliot—That is not the case. . . .

Mr. POULIOT: Just a minute, Mr. Côté, if you will permit me. We know very well that the recommendations of the department will be accepted by the Governor in Council, but in things like that it means just so much more red tape, so much more paper wasted in dealing with this thing—and, as you know, we have a serious paper shortage in this country as it is. Then, there is another thing: the man in charge of the annuities should be responsible, he should be a responsible man under the jurisdiction of the minister; each case may be a different case. Let's take the case of a man who may have an operation in the hospital. He may be on the operating table at the hospital and he may need to have \$500 immediately—we all know what it costs for things of that kind; operations, nurses and hospitalization—and a man may need \$500, and before he can get that \$500 it has to go through all this red tape. That is an item which I think this committee should take into consideration. Then, in connection with housing particularly, a man may need \$500 with which to buy his land. Before he can do that the Governor in Council would have to approve his application for a rebate. If he wants to buy a house he needs the money, he may need more money than he has, and for that purpose even if he draws the \$500 it would not be enough—it could be too much, it all depends. The best thing for the committee to do according to my humble view would be to put it to the good judgment of the officer in charge of annuities under the control of the deputy minister and the head of the department, the minister. And I would suggest that no man should get his money back unless he gave good reasons for needing it, and the principles of democracy would be safeguarded to a reasonable degree and a man would

be protected against his ideas of playing poker or playing the stock market and things of that kind. Those are the considerations that I want to bring to the attention of the committee; and, before closing, I want to table 12 telegrams that have not been read.

The CHAIRMAN: Are they addressed to you, Mr. Pouliot?

Mr. POULIOT: They are addressed to me, of course, but I turn them over to you, Mr. Chairman; you may do whatever you like with them. But I would like to know who pays for the messages and who asked for them to be sent. They come from the companies who refuse to lend us money for housing.

Mr. KNOWLES: Well put.

Mr. GILLIS: I just wanted to ask the minister a question. Don't you think, Mr. Minister, that writing in a specific amount would detract from the purpose you have in mind; that the average man reading that contract would get this idea: you tell him that when he accumulates \$500 he will be able to get it back. Well, most people would take advantage of that and ask for their money back. But if you leave the clause as it is, subject to regulation by the department, you are not going to direct the thoughts of people to withdrawing the funds when they have accumulated \$500; but if you write it in specifically you are for all practical purposes telling people: if you save that amount you can get it back.

Hon. Mr. GREGG: Well, Mr. Gillis, I have listened carefully to all this discussion, and if I may refer to Mr. Pouliot's remarks I would like to say that I do not like the minister, or on his behalf, the deputy or the director of this branch, being responsible for deciding as to whether a person is going to be able to withdraw an amount available to him in the event of hospitalization or anything of that kind.

Mr. POULIOT: Your Judgment would be best.

Hon. Mr. GREGG: Yes, but we would not be able to go out into the country and see the individuals. I think the points which have been raised in this discussion are excellent because they cover the ground that the branch, the deputy minister, the treasury board and the Governor in Council would have to cover and would have to crystalize in the form of the resultant regulations relating to this special point. And now, as to whether it is a matter that is decided here in this committee—and it might not be the same as they might decide—but whatever the decision might be the end result would be as well known to the general public that way as this way. Supposing the department did obtain the authorization of a regulation, that would be tabled in the House of Commons and it would be published in the *Canada Gazette*; and Mr. McCord, of course, would notify his representatives and they would inform those concerned as to the terms of this particular item, and as to whether they could surrender in full or in part. So I do not think that the influence upon a quick influx of applications on this would be of effect materially one way or the other.

Mr. CARROLL: Has the department, now, the right to decide on every individual case whether payments should be paid in full or in part?

Hon. Mr. GREGG: It has that right, but I would not recommend to the Treasury Board and the Governor in Council that it take that right based upon individual desires or difficulties of application because we are not equipped—

Mr. CARROLL: I know.

Hon. Mr. GREGG: —to investigate that, even if it were given to us to do.

Mr. CARROLL: I know that, but you could, under the present Act, get the Governor in Council to make a regulation or pass an order in council that will control this particular section, in full or in part?

Hon. Mr. GREGG: Right.

Mr. CARROLL: This change leaves it open to the individual?

Hon. Mr. GREGG: That is right; that is why I said I was glad to hear this discussion.

Mr. CARROLL: Yes.

Hon. Mr. GREGG: To get the views of this committee as to how much, in whole or in part—

Mr. POULIOT: Just on that point, Mr. Chairman and Mr. Gregg, you know this is optional; a man decides to take his savings—there are no regulations.

Mr. BROWN: Oh yes, he can do that under a pension plan; it encourages savings.

Mr. POULIOT: Oh no, with pension plans it is directly different.

Mr. BYRNE: Mr. Chairman—

The CHAIRMAN: Pardon me, Mr. Byrne, Mr. Côté wanted to speak, and after Mr. Côté has made his remarks we will have to hear Mrs. Fairclough.

Mr. CARROLL: This committee was to adjourn at 10:30 o'clock today.

The CHAIRMAN: The steering committee did not signify that to me.

Mr. GILLIS: You gave us that promise, Mr. Chairman.

The CHAIRMAN: I don't recall having done so.

Mr. CÔTÉ: I think that at the conclusion of the last meeting of the committee we left it to the chair to call the next meeting.

Mr. CARROLL: It was well understood, Mr. Chairman, that the meetings of this committee were to be called in such a way as not to conflict with a meeting of other committees. For example, I have another committee here which I consider to be far more important in many aspects than this present one. Yesterday morning the sitting was adjourned in order to give those of us who were on the Combines Committee an opportunity of being there. And now, I have got to be there this morning, yet I should like to be here at the end of these resolutions, but I cannot as I will have to be in another place.

Mr. KNOWLES: My suggestion is going to come into effect after all. This will have to go over to another meeting.

Mr. LENNARD: Yesterday morning we adjourned to the call of the chair with the understanding by you that the meeting would not conflict with that of other committees.

Mr. BROWN: I think that Mr. Knowles' suggestion is wise and that we should give it consideration.

Mr. KNOWLES: There may be a mass of telegrams for today's suggestions.

The CHAIRMAN: We will meet this afternoon at 2:30 in this room, that is immediately after orders of the day. We will adjourn until 2:30 o'clock now.

Mr. BROWN: Is that the decision of the steering committee?

The CHAIRMAN: No, the matter was left to the call of the chair.

Mr. KNOWLES: Are there not more than enough committees sitting this afternoon?

The CHAIRMAN: Public accounts is sitting this afternoon at 3:30 and combines this morning at 10:30.

Mr. BLACK: I do not think you should sit this afternoon. There is going to be very important legislation before the House in which members from the maritime provinces are very much interested, more so than in what is going on here. I do not think we should duplicate sittings.

Mr. GAUTHIER: I suggest that we sit at 6 o'clock in the morning.

Mr. BRYCE: I am quite willing to second that.

The CHAIRMAN: I believe this committee should be recognized as being of the same importance as any of the other committees.

Mr. POULIOT: There is no precedence in the importance of committees.

Mr. CÔTÉ: Right.

The CHAIRMAN: Would somebody move that we sit this afternoon?

Mr. KNOWLES: I move that we meet at 9.30 o'clock on Monday morning.

Mr. GAUTHIER (*Sudbury*): I will second that.

The CHAIRMAN: Moved by Mr. Knowles, seconded by Mr. Gauthier, that we meet on Monday morning at 9.30 o'clock.

Mr. POULIOT: I will not be able to be here then.

Mr. BROWN: There are a number of members who would not be able to be here for Monday morning, could we not make it Tuesday?

The CHAIRMAN: Monday morning at 9.30. I will put the question. All those in favour?

Mr. KNOWLES: Mr. Chairman, do not railroad it, even if it is my motion.

Mr. BROWN: Why Monday? Why not make it Tuesday at 9.30? Many of us cannot be here on Monday.

Mr. BRYCE: How many can be here on Monday? All we need is a quorum. Let's go ahead and have it at 9.30 on Monday.

The CHAIRMAN: You have heard the motion. Those in favour? Those opposed?

Carried.

The committee adjourned.

APPENDIX A

(Copy)

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ROSS MCDONALD SPEAKER
PARLIAMENT BLDGS OTTAWA

THE LIFE UNDERWRITERS OF BRANTFORD FEEL THAT THE PROPOSED
CHANGE IN THE ANNUITY ACT WILL MATURELY EFFECT THE LIFE
INSURANCE BUSINESS NUMBER ONE JEOPARDIZE THE LIVELIHOOD OF
THE LIFE UNDERWRITERS NUMBER TWO THE GOVERNMENT ARE
COMPETING UNFAIRLY IN OUR BUSINESS NUMBER THREE THERE IS
NO JUSTIFICATION FOR INCREASE IN LIMITS NUMBER FOUR THE CASH
VALUES ARE MOST UNREASONABLE IN VIEW OF THE ORIGINAL
PURPOSE OF THE ACT WE BEG OF YOU TO GIVE THIS SERIOUS
THOUGHT REPRESENTING THE LIFE INSURANCE COMPANIES OF
BRANTFORD

JUD REID JACK GORDON BOB MCINNIS GARNET FRANCIS
KEN RAS HAROLD ORR DON BAREY AND TOM BUCKINGHAM

APPENDIX B

MARCHANT, GILLIS AND McINTOSH

Sixth Floor,
Bank of Toronto Building,
Victoria, British Columbia.
December 3, 1951.

THE CHAIRMAN,
Committee on Industrial Relations,
House of Commons,
Ottawa, Canada.

Re: Annuities Act

DEAR SIR,

I have been following with interest the newspaper accounts concerning the activities of your committee and the request made by the Canadian Life Insurance Officers' Association and the Life Underwriters' Association of Canada that the Government discontinue the sale of annuities, or, in the alternative, sell them at self-supporting premium rates.

May I take the liberty of adding my small voice in the support of the Government continuing to sell annuities at rates which are far lower than those offered by private companies.

While it is true that some load has to be borne by the Government, I do feel that there could not possibly be a more proper burden for the Government to assume than some expense in continuing the annuity plan now offered to the public.

Yours truly,

(Signed) JOHN G. McINTOSH.

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Committee on, 1951
HOUSE OF COMMONS

Fifth Session—Twenty-first Parliament
1951

(Second Session)

STANDING COMMITTEE

ON

INDUSTRIAL RELATIONS

Chairman—Mr. A. FRED MACDONALD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

Bill No. 23

An Act to amend the Government Annuities Act

TUESDAY, DECEMBER 11, 1951


INCLUDING THIRD REPORT TO THE HOUSE

WITNESSES:

Mr. C. R. McCord, Director, Annuities Branch;

Mr. A. H. Brown, Executive Officer and Solicitor, Department of Labour.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951



ERRATUM

Minutes of Proceedings No. 3, December 3, 1951

Page 79, line 24 thereof should read:

“Resolved,—That recommendations numbers 1 and 3 of the Third Report
of”

REPORT TO THE HOUSE

WEDNESDAY, December 12, 1951

The Standing Committee on Industrial Relations begs leave to present the following as a

THIRD REPORT

Your Committee has considered Bill No. 23, an Act to amend the Government Annuities Act, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence in relation to the said Bill is appended.

All of which is respectfully submitted.

A. F. MACDONALD,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, December 11, 1951

The Standing Committee on Industrial Relations met at 9:30 o'clock a.m., this day. The Chairman, Mr. A. F. Macdonald, presided.

Members present: Messrs. Balcer, Black (Cumberland), Brown (Essex West), Bryce, Carroll, Côté (Verdun-La Salle), Croll, Gauthier (Lac St. Jean), Gillis, Knowles, Lennard, Macdonald (Edmonton East), McWilliam, Murphy, Nixon, Pouliot, Viau, Wylie, and Fairclough (Mrs.).

In attendance: Hon. M. F. Gregg, V.C., Minister of Labour; Mr. A. MacNamara, Deputy Minister of Labour; Mr. C. R. McCord, Director, Mr. J. E. Davidson, Assistant Director, Mr. J. G. Fletcher, Actuary Annuities Branch, and Mr. A. H. Brown, Executive Officer and Solicitor, Department of Labour.

The Committee resumed consideration of Bill No. 23, An Act to amend the Government Annuities Act.

The Chairman presented the Fifth Report of the Sub-Committee on Agenda and Procedure as follows:

The Sub-Committee on Agenda and Procedure having met on December 10 recommends:

1. That a letter received from the Canadian Congress of Labour be placed on the record.

On motion of Mr. Croll,

Resolved,—That the Fifth Report of the Sub-Committee on Agenda and Procedure presented this day be now adopted.

On Clause 5:

Mr. Côté's amendment to paragraph (e) of new sub-section (1), section 13 of the Act, was further discussed.

Mr. Côté having asked leave to withdraw his amendment and leave not being granted, the question was put on the said amendment and it was adopted.

It being then 11:00 o'clock a.m. the Committee adjourned to the call of the Chair.

AFTERNOON SITTING

At 3.30 o'clock p.m. the Committee resumed, the Chairman, Mr. A. F. Macdonald, presiding.

Members present: Messrs. Balcer, Boucher, Breton, Brown (Essex West), Bryce, Conacher, Côté (Verdun-La Salle), Croll, Gauthier (Lac St. Jean), Gillis, Knowles, Lennard, Macdonald (Edmonton East), McWilliam, Nixon, Viau, Wylie, and Mrs. Fairclough.

In attendance: As listed in morning sitting.

The Committee gave consideration to paragraph (e) of new sub-section (1), section 13 of the Act, as amended, and the question being put on the adoption of the said paragraph (e) as amended, it was resolved in the negative.

By leave of the Committee, on motion of Mr. Croll, paragraph (e), as originally drafted was further considered and adopted.

The Committee having reverted to Clause 2, by leave, Mr. Balcer moved, "that subsection (2) of new section 8 of the Act be amended by striking out the words "twenty-four hundred" and inserting therefor the words "twelve hundred".

The motion was negatived.

Clause 2 was adopted.

The title was adopted.

The Bill was adopted and the Chairman ordered to report the same without amendment.

At 4:00 o'clock p.m. the Committee adjourned to the call of the Chair.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

December 11, 1951.

9:30 a.m.

The CHAIRMAN: Mrs. Fairclough and gentlemen, we have a quorum.

I have the fifth report of the subcommittee on agenda and procedure to give you. It was made on December 10th and it recommends that a letter received from the Canadian Congress of Labour be put on the record. Shall I dispense with reading this communication and place it on the record? What is your pleasure?

Mrs. FAIRCLOUGH: Mr. Chairman, what does it say? You don't have to read it all, but you might indicate to us what it contains.

The CHAIRMAN: I am afraid I could not give you an adequate summary of it.

Mrs. FAIRCLOUGH: Well, Mr. Chairman, it is going to be some time before we get the proceedings and I think we should know what is in the letter.

The CHAIRMAN: It is addressed to the chairman of the committee on industrial relations, House of Commons, Ottawa, Canada; and it reads as follows:

Dear Mr. Macdonald:

The Congress would like to place on record before your committee its position on the proposed amendments to the Government Annuities Act. Generally speaking, the Congress is in favour of the two major proposals, namely, that the maximum annuity be raised to \$2,400 a year and that a cash rebate privilege be afforded to purchasers of annuity contracts. The Congress would be opposed to any limitation on the cash surrender privilege. We would not be in agreement, for example, with a limitation on the amount of cash which could be withdrawn or any means test attached to the availability of the rebate.

As you may perhaps be aware, the Congress submitted a brief to the Joint Committee of the Senate and the House of Commons on Old Age Security on May 11th, 1950. In it the Congress gave its views among other things on the present Annuities Act. Since they are very brief, we are quoting them here:

There is in Canada one major agency which will underwrite pension plans. That is the Annuities Branch of the Department of Labour, operating under the terms of the Government Annuities Act. The Branch is staffed by competent and zealous officials, and, generally speaking, a Government Annuities scheme is recognized to be as good as, if not better than, any obtained elsewhere in terms of administrative costs, guaranteed returns and necessary safeguards in the interest of the beneficiary. Ordinarily, the Congress would be disposed to recommend the Annuities Branch to its unions as the vehicle for pension administration were it not for certain unfavourable features of the Annuities Act. These are:

- (a) The Act does not make it possible for a Board of Trustees as contemplated above to enter into a contract with the Crown for the purpose of providing annuities to the employees of a particular firm. The Act provides that the employer alone may enter into such a contract on behalf of his employees.

- (b) There is a maximum pension of \$1,200 a year beyond which the Annuities Branch will not write a pension contract. This necessitates supplementary contracts with other agencies.
- (c) There is no cash rebate privilege on the amount of vested right if separation takes place before retirement. This removes the element of choice which an employee should properly have. (The employee must accept a paid-up annuity for his vested right, payable at his normal retirement age.)
- (d) The Act and the regulations under it are unnecessarily restrictive and rigid. Thus supplementary disability pensions may not be written into an Annuities Branch contract.

For all these reasons, the Congress believes that the Act should be amended to bring it more into harmony with current conditions. Better still, the Congress would advocate the transformation of the Annuities Branch into a Crown Corporation with sufficient flexibility of operation to make possible rapid adjustment to new trends. This would, of course, require the repeal of the present Act and the enactment instead of legislation establishing the Crown Corporation and outlining its functions in fairly broad terms.

We respectfully request that your Committee give earnest consideration to the views expressed above.

Yours very truly,

(Sgd.)

A. R. MOSHER,
President.

(Sgd.)

DONALD MACDONALD,
Secretary-Treasurer.

The CHAIRMAN: What is your pleasure about incorporating this communication into the record in accordance with the recommendation of the steering committee?

Mr. CROLL: I move that the recommendation be adopted.

The CHAIRMAN: You have heard the motion by Mr. Croll; those in favour; those opposed?

Carried.

Now, when we adjourned the last meeting of this committee we were discussing subparagraph (e) on page 6 to clause 5 of section 13. There is a motion by Mr. Côté to amend this subparagraph and I would like to read to you the subparagraph as it would be amended by Mr. Côté's motion:

(e) authorizing the surrender of the right to receive an annuity or any part thereof, before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor, up to an amount not exceeding five hundred dollars and prescribing the circumstances in which, the person to whom and the conditions, including the payment of interest, if any, under which repayment may be made;

And now, you have heard the amendment, what is your pleasure in regard to this motion?

Mrs. FAIRCLOUGH: May I speak to that, Mr. Chairman? I have to go to another meeting at 10 o'clock, unfortunately. I would like to make a few comments before I leave. I would like to say in the first place that I am

opposed to the placing of any ceiling on the cash surrender value. As you know now, I am opposed to clause (e) and I hope the amendment will be deleted. I do not see any advantage in tampering with it. In doing so we are only embarking on something that will, if adopted, involve administrative difficulty. I do not like the idea of putting any amendment in there at all. Therefore, Mr. Chairman, I am opposed to the amendment of this clause.

The CHAIRMAN: Is there any further discussion, gentlemen?

Mr. KNOWLES: I think it should be noted in connection with the letter that you read into the record a while ago from the Canadian Congress of Labour that there was expressed in that letter the view that there should be no limit on the amount of rebate.

The CHAIRMAN: Any further discussion?

Mr. BALCER: Mr. Chairman, I agree with Mrs. Fairclough, but I do not see any advantage to be gained by the proposed change in this clause and I oppose it principally on the ground that I am very much opposed to giving a blank cheque to a department in so far as regulating payments of this kind are concerned. A further point of my objection is the general principle that the government will be in the same position as a private company and I suggest for that reason will constitute a threat to the livelihood of the insurance agents that we have in Canada. I think the basis of this bill is to give a chance to people to save money and not to place restrictions on either the insurance business or the banking business, and it appears to me that the more restrictions you write into this section the greater that danger is going to be. First of all I am against the thing because of the administrative difficulties involved, and second because it will affect the chances of insurance agents generally in making a living out of carrying on their insurance business throughout Canada.

The CHAIRMAN: Is there any further discussion?

Mr. KNOWLES: Yes, Mr. Chairman. A moment ago I drew attention to what was in the letter from Mr. Mosher and Donald MacDonald. I would like to make a further comment, particularly in view of what Mr. Balcer has just said. I find myself apparently on the same side on the possible vote on this amendment as Mr. Balcer may be but I would like to make it clear that my reasons are quite different. Frankly, as one who has listened closely to their representations and read many telegrams which I have received and which many others have received also, I do not think that the changes proposed now, and the bill as it was presented to us, are going to affect to any great extent at all the livelihood of the insurance agents. I do not blame them for looking at the matter with an eye on their business, trying to ascertain whether it is going to affect them, but I do not think this is a drop in the bucket so far as their business is concerned. I cannot forget the evidence we got a few days ago, for instance, that the average insurance underwriter of Canada sells 61 general insurance policies a year and only one or two annuity contracts. I suggest that even if we interfered to any extent with their annuity business it would not be more than a drop in the bucket of their total business.

I do not want what I am saying now to be construed as accepting the idea that the writing of insurance, to make a living out of insurance, is a God-given right for any particular group of people. I think that society as a whole has the right to consider what is the best way to provide for our old age and, also, against the eventuality of death. I am not going into that now. I just want to say at this point I think the hue and cry that our friends—we all have them and I have many in the insurance business—have raised, is an unnecessary cry. I understand it, but really they have nothing to fear. I do not think the bill as presented by the government is going to interfere with their business to any appreciable extent at all.

Now, Mr. Chairman, there is something else I should like to say and I want to be quite frank about this—and at the same time I want to make it clear that I am trying to look at this matter in terms of principles and not on the basis of being prejudiced for or against any particular group of people who may have been here before us. I think we all know that every insurance underwriter in Canada has come up against resistance on the part of prospective customers now and then, which is expressed in this form: Yes, Mr. Insurance Agent, I am interested in your policy but what about government annuities? Is that not something I should look into? Almost the universal answer of the insurance writer is: Yes, government annuities are good, but there is just one thing wrong with them: you cannot get your money out.

Now, that has been the answer for the last forty-three years. It is the taking away of that answer which has worried the insurance underwriters most of all about this bill. If we accept Mr. Côté's amendment we have given in to that fear or that claim of the insurance underwriter; it means from here on the insurance underwriter will not be able to say what he has said thus far. But, he will be able to say in response to resistance against his product, resistance that suggests annuities instead: Annuities are good; but if you get stuck you cannot get your money out; you can only get just a little bit of it out.

That is the handicap this amendment would place on the people's own product, government annuities. It should not be there.

I do not think for a moment, by making a cash surrender value possible, that the result is going to be that every holder of an annuity is going to run the first time he is short of cash on a Saturday night and try to get his annuity out. After all our people are concerned about providing for their old age security. I think now with the means test off the old age pension there will be more incentive to people to try to provide something in addition to that amount—until the day that some of the rest of us can get the amount itself increased. In the meantime, I do not think that people will grasp at the first opportunity to take out their money. Still, I think that is actually going to discourage people from taking out government annuities—if they are told time and time again: You cannot get your money out except a small amount, with a ceiling of \$500. I think it is more of a psychological deterrent than a real deterrent, but I believe it will hamper the sale of annuities.

I have been glad to note that the Department of Labour has had printed on its envelopes up in the corner a little slogan: "Safeguard your future with government annuities". This is an envelope that reached my desk this morning, but I have seen it there several times in the last couple of weeks. I am glad to note that that little bit of advertising is being done. But, what is the use of advertising a product if you do not make it attractive in other ways? I think it should be made more attractive by increasing the interest rate, and improving the tables to the advantage of the purchaser—but at the moment we are discussing this one feature.

I think to place the proposed limitation on the amount of the cash surrender value is making annuities a little less attractive; is going to put in the mind of the people of Canada a deterrent, a psychological deterrent, against buying the people's product—which is otherwise good. I do not think we should write in that psychological deterrent. That is why I make that plea to Mr. Côté, which I made last week when the matter was up—and the plea I made to him privately—that he not press his amendment.

Mr. GILLIS: Mr. Chairman, I echo the sentiments expressed by Mr. Knowles and there is no use repeating them. I also hope that Mr. Côté will withdraw this amendment. I see it as appeasement and appeasement never works.

Mr. CÔTÉ: I think you are going a little bit too far there.

Mr. GILLIS: It is a matter of opinion.

I am not particularly interested, mind you, in the government selling a lot of annuities. There is another angle to this which I think is more important and it is that the government pioneered the field and for forty-three years they went along with this particular feature of this bill not included; and insurance companies have had the field pretty well to themselves.

Now, for the last five or six years, particularly, I think the insurance companies have been doing what a lot of people in this country have been doing—that is pricing themselves out of the field. Insurance from the old line companies, has become so expensive that I think they force the government to do what the government is now doing—that is to set up some kind of a competition scheme in the field of annuities as an alternative to people who are not in a position to buy through the old companies.

Now, unless the government stays in this field and sets up reasonable competition to the insurance companies, having this scheme as an alternative to exorbitant rates outside, the insurance companies will be left to themselves, without reasonable competition from this type of annuity in both fields—both the individual contract and group insurance plans—if this is not kept as a yardstick and as a means of holding the old companies in line. They merely want to make more money—and I am sure that the insurance companies are not particularly interested in whether I provide for my old age or not. Their interest is mainly to make more money. It is not the objective, however, of this section here.

I see this as a policing scheme, to give the people of Canada an alternative, people who are really interested in providing for their old age, linking up with the other old age security measures.

If this is not in the field I say you will have run-away rates and you will defeat the purpose of this particular bill. I would like to see the bill as it is. I do not think there is anything wrong with it. I think there are a lot of safeguards in it and the Governor in Council has the right to adjust the amount that you might get back. I think it is much better to leave it that way than to write in specific amounts.

I am very much concerned with keeping this particular type of annuity in the field, not to make money, but to provide for people in the income groups where it is rather difficult to save. Leave it there as a kind of policing instrument against the insurance companies outside who are, I am convinced, interested in making money only.

Mr. POULIOT: Hear, hear.

Mr. GILLIS: Unless we do keep this type of scheme in the field the other fellow outside is not going to serve the purpose we have in mind.

Mr. CROLL: I cannot disagree with anything Mr. Knowles or Mr. Gillis have said, I came away originally with the impression that the minister had intended to draw up regulations under that section along the line of the present amendment. He had in mind in his regulations spelling out in some way the conditions under which there would be a cash surrender value, and he has now been told by the officials that this is the appropriate way of doing it—by putting it into the Act rather than the regulations. I can see no harm in doing it in that fashion, if that is the proper way of doing it, and if he had intended doing it under the regulations in any event—as I understand he intended to do.

Times change and conditions change, and as one man put it to me, today he said now we have Milton Gregg as the Minister of Labour. He is very sympathetic to this bill and he will draft good regulations. Some day, someone else will come along who may be not as sympathetic to the bill and he changes the regulations without submitting it to parliament at all.

Then, we find almost a new Act on our books without it ever having appeared in parliament. For that reason, we would be wise to put it into the Act in order to spell out exactly what we mean.

I think there is some feeling that if that was his intention to deal with it in that fashion it may be better from almost every point of view to spell it into the Act.

Mr. POULIOT: How would you put it in, Mr. Croll?

Mr. CROLL: The amendment?

Mr. POULIOT: Yes.

Mr. CROLL: The chairman read it this morning.

Mr. POULIOT: Mr. Côté's amendment at the last meeting?

Mr. CROLL: Yes.

Mr. POULIOT: Not a new amendment?

Mr. CROLL: No, Mr. Côté's amendment. Perhaps the chairman might read it again. I made a few comments, but you might read it slowly, please?

The CHAIRMAN: "... authorizing the surrender of the right to receive an annuity ..." and then the new part is "... 'or any part thereof' before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor ..." and then follows a new part "... 'up to an amount not exceeding \$500' ..." and prescribing the circumstances in which, the person to whom and the conditions, including payment of interest, if any, under which repayment may be made."

Mr. KNOWLES: May I ask Mr. Croll a question?

The CHAIRMAN: Yes, Mr. Knowles.

Mr. KNOWLES: I notice that Mr. Croll has dealt with the legal point of where such \$500 ceiling should be placed if placed at all—that is, whether it should be in the regulations or in the Act. Mr. Croll has not yet commented on the validity of a ceiling either place. Would you comment on that, Mr. Croll?

The CHAIRMAN: Would you allow that question, Mr. Croll?

Mr. POULIOT: The \$500?

Mr. KNOWLES: Yes, he said he did not disagree with my argument, so I would like to know whether he agrees with it.

Mr. CROLL: My original view was that these annuities should be sacrosanct, I think was the term I used, but the minister has the authority to make regulations, and has informed us that he will make such regulations. If I thought for a moment that I could influence him not to do anything at all about the section I should be very glad to—

Mr. KNOWLES: Well,—

Mr. CROLL: My point is: I have great respect for his views; we all have. They are not lightly given nor lightly taken, and he has the authority to do that. It is only a matter of doing it in legal fashion. That is the way it presents itself and, consequently, I do not feel I can resist.

Mrs. FAIRCLOUGH: I was interested in Mr. Croll's remarks a few minutes ago, which I interpreted as meaning that the minister had intimated that a ceiling was to be placed on this cash surrender value in any event, and it was just a matter of whether it would appear in the regulations or in the Act itself. Now, my recollection of the discussion which took place within the last few days is that no such definite commitment was given. True enough, it was said that there was plenty of scope under the regulations to be made under the minister's jurisdiction, but I cannot recall that anyone ever said that it was the intention of the minister to definitely place a ceiling on the cash surrender value. I wonder if the minister would comment on that.

Hon. Mr. GREGG: Well, Mrs. Fairclough, I stated the other day—I have not got my exact words before me, but that does not matter—but, as I remember, I stated that in clause (e) there were several factors, the most important in my opinion was this point that we are discussing now the matter of the ceiling. I did not state that it was my intention to recommend to the Treasury Board and the Governor in Council a specific amount, but I certainly meant to state that restrictions would be taken into consideration in framing the regulations. The regulations were not prepared then, and they are not prepared now, but certainly Mr. Croll's summing up of the situation, except for the matter of naming the amount of the ceiling, was in accord with what was in my mind when I discussed it briefly before.

Mrs. FAIRCLOUGH: Then it is your intention to recommend that there be a ceiling on the cash surrender value, is it?

Hon. Mr. GREGG: Yes.

Mrs. FAIRCLOUGH: But that amount has not yet been worked out?

Hon. Mr. GREGG: That amount has not been arrived at as far as the Governor in Council is concerned or as far as my departmental officials are concerned. We thought it might be a matter of impertinence, if you like, to arrive at a frozen amount before this committee was given an opportunity to express its views.

Mrs. FAIRCLOUGH: It is particularly difficult to participate in this discussion and remember for a week everything that was said, but I must say that this is a new idea to me. I do not recall gleaning this from the discussions within the last week. I cannot remember at any time the intimation that there would definitely be a ceiling placed on the cash surrender value in the regulations.

Hon. Mr. GREGG: I think this is the first time I have been asked the direct question.

Mrs. FAIRCLOUGH: I just wonder where Mr. Croll got his idea—from the minister in private conversation?

Mr. BROWN (*Essex West*): I think we have forgotten that the purpose of this bill is, as I understand it, to encourage people in thrift so that the funds may be used for their old age. Now, you know and I know that, strictly speaking, we want to be as fair and as kind as we possibly can with annuitants and with every other citizen, but we also have to be realistic, and if there is a cash surrender value and the funds are withdrawn for any reason—I am not suggesting they will be withdrawn and I think there will only be a small percentage who will withdraw from it—in being realistic we must realize that when funds are withdrawn they will never be repaid and, therefore, the annuitant will not have the benefit of that when he most needs it. I think that the concession made in the amount of \$500 is very fair, I think Mr. Côté's motion is very fair, and I think this, that those who withdraw any funds up to five hundred dollars—I won't feel sure, but I think the experience of the Annuities Branch can probably tell us the experience of insurance companies as to whether or not those funds are ever repaid or not. I would ask that as a question.

Mr. POULIOT: Mr. Brown established a timely definition between theory and practice, and if those who purchase government annuities decide to save for their future their intention will not be to waste the reserve and they will keep it there, and it will be only occasionally that some people will withdraw their assets from the fund. In theory, a man must be the master of what belongs to him, that is the first essentiality of the right of ownership, but, on the other hand, in a case like that, where the government subsidizes annuities to encourage people to save, they may be protected even against themselves. I understand,

too, that the cost of hospitalization and medical care is very heavy. After having listened to what has been said I appreciate the views of both sides. The other day I heard one of our colleagues say the insurance agents were using the fact that no one could withdraw anything from the government annuities before maturity—they said that to assist them in sales of their own policies. They will now use the same argument, they will say: In the government annuities you cannot get back any more than \$500, and we are ready to give you all you have put in on our policy. They will have the same argument, but in it there will be a certain relaxation from the rule in favour of those who have annuities. As you know, Mr. Chairman, there are two sides to every question and before making a definite opinion on that I want to listen to all sides and I want to tell you I admire the way members have discussed the whole problem from the start, the sincerity and the desire to serve the public, and I must congratulate you, Mr. Chairman, and all colleagues and the minister and his staff for the way they consider the annuities problem, a very difficult one, but it is to serve the public. We must be open-minded and listen to all that is said. The committee is doing splendid work, a humanitarian work.

The CHAIRMAN: Is there any further discussion before I put the motion?

Mr. LENNARD: I do not see how you can set an amount. You can set a percentage of the amount, but how can you set a definite amount when annuities are taken out at so many different levels? A man might take out one at the ceiling or a small annuity. How can you really state the amount?

Mr. CÔTÉ: Well, my purpose in that, Mr. Lennard, was to cover the occurrence of financial difficulties, and the like, that may lead a purchaser to apply for a cash surrender value on his contract. Of course, you must not have the amount available depend on the importance of his contract.

Mr. LENNARD: But you cannot go over \$500.

Mr. CÔTÉ: No, but I thought that a fixed amount, such as \$500, would take care of most of the cases which have been brought to the attention of the department in past experience. If you were to choose a percentage, in some cases, in the case of a small contract, you would not achieve your purpose.

Mr. BROWN (*Essex West*): Would it not be that the one with the small annuity would probably be the most likely one to apply for the cash surrender value?

Mr. CÔTÉ: Most likely.

Mr. BROWN (*Essex West*): And a person with a high annuity would not need the fund.

Mr. LENNARD: Anyone can go broke; I am nearly broke now!

Mr. KNOWLES: I would like to have another word or two, Mr. Chairman. First, I want to say that I think the effect of this proposed amendment has to be looked at in its psychological aspect rather than in its financial aspect. If I may use an example again, it is like the means test on the old age pension, particularly the lien against the property of old age pensioners. Many a person who could have qualified for an old age pension because of his limited means did not put in his application because he did not like the lien being placed upon his home, even though it did not mean the loss of any actual dollars and cents to him. It was a psychological deterrent, and I suggest that this \$500 ceiling is just such a psychological deterrent which will keep people from purchasing government annuities. Now, Mr. Brown has said, quite correctly, that the purpose of the Government Annuities Act is to encourage people to provide a supplementary amount for their old age. I want to say to Mr. Brown and to others that if you discourage people from buying government annuities you have defeated your whole purpose. There is no point in telling people you are going to protect them against themselves and keep their money in govern-

ment annuities if they did not put it there in the first place, and this kind of provision, I feel very strongly, will have that deterring effect. We know from the figures that have been given to us during the course of this committee's sittings that the sale of government annuities has dropped considerably. In 1947-48 the total number of contracts issued, including all kinds—individual and group, deferred and immediate—was 40,945; in the year 1950-51 it was 21,775. In fact, as you go across the board you will find that each succeeding year's contracts are about 50 per cent of the number that were being purchased in the years when the rates were based on 4 per cent interest. Now, my point is that annuities were made less attractive by the order in council decision, effective April 19, 1948, and people have stopped buying annuities at the rate they were being bought under the previous rate. If we put this psychological limitation in this clause, this whole bill, Mr. Chairman, will do very little to offset that trend which has been in effect since 1947-48. The increase to a maximum annuity of \$2,400 will be a help to some, and, incidentally, this matter came up the other day in the committee on radio. Oddly enough, the question of pensions of the Canadian Broadcasting Corporation employees came before us and we called a witness and asked him a few questions, and it was not long till he was telling us that their pension plan is based on government annuities up to \$1,200, and on private insurance companies from there on. When we asked him whether they would like to place the balance with the government, he said "Yes, if the bill goes through we will be doing that". Well, there are a few people that will be helped by the increase to \$2,400, but it is not going to encourage the ordinary little fellow to buy annuities, and that psychological deterrent against him buying an annuity is going to be there if you place that limitation on the cash surrender that can be made. I want to say, Mr. Chairman, and I have given a great deal of thought to this question, and I have talked to members of the committee privately—there was a time in the early consideration of it when I thought more kindly of the proposal to limit the cash surrender value than I do now, but the more I think of it the more I think it is a psychological deterrent, whether it is in the Act or in the regulations.

Mr. CROLL: Distinguish between that deterrent—that is what is troubling me now, what difference does it make whether it's in the Act or in the regulations?

Mr. KNOWLES: It does not matter where it is. Now that you have interrupted me, let me pursue the line of thought that you have put in my mind. Mr. Croll suggests that we now have in the person of Milton Gregg, the present minister, one who is sympathetic to this legislation, and we have to protect the Act against an unsympathetic minister who might follow. I do not know whom he had in mind, but let us say it is Mr. X. If it was some minister who was less sympathetic to this Act and he found that clause in there which said that you cannot pay back any amount in excess of \$500, nothing would stop Mr. X from reducing it to \$200, to \$100, or to \$1.

Mr. CROLL: Under the regulations.

Mr. KNOWLES: Yes, under the regulations. It will be a long time before this Act comes back to parliament. The changes being made in this bill, to the Annuities Act, are on pretty much of a permanent character. There are not many changes that can be envisaged that will require a statutory amendment. Most of the changes from here on are administrative or order in council changes, so I do not think, Mr. Croll, that you made much out of your argument regarding the position of the unsympathetic minister we could have in the future, and the more reason that this committee should settle it now that whatever principles are going to be employed in drafting the regulations regarding surrender, that surrender should not be on the basis of a ceiling

on the amount. And I really pin my whole argument on the point that if you do, you are putting in a psychological deterrent and discouraging people from buying annuities. That is the result which you would inevitably achieve. So I think the committee should turn down Mr. Côté's amendment.

The CHAIRMAN: You have heard the motion.

Mr. CÔTÉ: Mr. Chairman, before you put the question to a vote, I would like first of all to clear up a point. My good friend, Mr. Gillis, is of the opinion that this move might be motivated by some purpose of appeasement. May I say that it is not. I recall at one stage of the discussion, the minister invited an expression of views on that part of the original subsection (e) which has to do with repayment of the whole or any part of the purchase price. I think the minister placed emphasis on the "whole or any part of"; and at some other point, he assured the committee that any discussion which took place here would be used as a guide for him and the department in their recommendations to the Governor in Council for the setting up of the regulations provided by this subsection and some others in the bill.

Now, my prime purpose in throwing out this suggestion to you in the form of a motion was to promote discussion on this particular feature of the subsection and I think I have achieved that purpose very well. I would not have liked to see the subsection get the same quick passage as did the other one which provided for the other important feature of the bill, namely, the maximum permissible annuity. Now, of course, I approve of subsection (e) as it stands without an amendment, otherwise I would not have sponsored the bill in the House and said what I have said.

I thought it might be useful for the committee to express some views in concrete form as to the regulations which will have to be passed to give effect to that subsection (e). I thought from a remark that the minister made that it was important to have an expression of view on this particular topic, the maximum possible amount of cash value that the regulations might provide for. This is my position: I do not insist, more than that, on the suggestion which I have made, and which I offered in the form of a motion in order to invite orderly discussion on it. I would be prepared, of course, to recommend the support or the passing of this motion, but I would not fight for it tooth and nail. That is my view. That is the only purpose I had in mind, and it was not one of appeasement.

Mr. GILLIS: Then I withdraw that word, if you think it is offensive.

Mr. CROLL: If I understand what you have said, you wanted to have an orderly discussion and some opinions expressed for the guidance of the minister, I think you have had them. So do you not think that under the circumstances it would be wiser not to divide this committee? The minister has had the benefit of the discussion. Frankly, you would make some of your supporters a little happier about the whole matter if, at this time, you withdrew it. There may be some merit to it, but on the other hand—

Mr. CÔTÉ: As you realize, I made the motion, but I cannot withdraw it without getting the unanimous consent of the committee to permit me to do so.

Mr. CROLL: Well, then, please ask for it.

Mr. CÔTÉ: All right. I have no objection to asking for permission to withdraw my motion.

Mr. CROLL: I think there is no objection. I think it is granted. See if it is, Mr. Chairman, please.

The CHAIRMAN: Do you wish to withdraw your motion? Has Mr. Côté unanimous consent of the committee to withdraw his motion?

Mr. BALCER: I am against the withdrawing of the motion, Mr. Chairman.

Mr. KNOWLES: Then you differ with Mrs. Fairclough?

Mr. BALCER: I am in favour of the motion and I think there should be a vote.

The CHAIRMAN: You have heard the discussion. Are you ready for the question? All those in favour of Mr. Côté's motion, kindly signify?

Mr. WYLIE: Which one are we voting on, Mr. Chairman?

The CHAIRMAN: We are voting on Mr. Côté's amendment. It was not withdrawn because there was not unanimous consent. So we will now put Mr. Côté's motion to a vote of the committee. All those in favour of Mr. Côté's motion will please signify? And those against the motion.

Mr. GILLIS: It is practically unanimous.

The CHAIRMAN: I declare the motion carried.

Mr. KNOWLES: What was the vote, Mr. Chairman?

Mr. GILLIS: The amendment was defeated.

The CHAIRMAN: All those in favour of Mr. Côté's motion, please signify?

Mr. KNOWLES: That is Mr. Côté's motion to put in the \$500 ceiling?

The CHAIRMAN: Yes. Please signify. And those not in favour will please signify. I declare the motion carried. Does paragraph (e) as amended carry?

Mr. BROWN (Essex West): Mr. Côté's amendment to this section is carried.

Mr. BRYCE: In other words, there is a \$500 clause in it and you have defeated the whole thing.

The CHAIRMAN: Does paragraph (e) as amended carry?

Mr. KNOWLES: No!

Mr. LENNARD: I voted against the amendment because I am against a means test of any kind and this subsection does contain the possibility of a means test, whether or not that motion was carried. I want to say that I am opposed to a means test of any kind.

Mr. CROLL: Let me say that I think my friend ought to tell some of the members of his own party about that means test. Mr. Côté offered to withdraw his motion and leave it alone, yet it was one of the members of Mr. Lennard's own party who opposed Mr. Côté's doing so.

Mr. LENNARD: Do not blame it on me. I think that attack is unwarranted. I come to a committee and as you can see this morning, Mr. Croll talks about parties; nevertheless parties can divide, and it so happens that I did not vote with other members of my party this morning because I am opposed to the principle of a means test and I always have been. I believe there is a means test in this subsection, or there is the possibility of a means test, and I believe that a means test will be applied.

The CHAIRMAN: All those in favour of paragraph (e) as amended?

Mr. LENNARD: Will this apply to contracts already in force?

The CHAIRMAN: Does paragraph (e) as amended carry? All those in favour?

Mr. GILLIS: No, it does not carry, Mr. Chairman. I just cannot figure out that vote. I cannot understand members of this committee who were willing to give Mr. Côté the right to withdraw his amendment, then forcing a vote on it and voting for it. As far as I am concerned, Mr. Chairman, you can throw that bill into the waste basket. You have not amended anything by writing that means test, and there is no doubt about it, it is a means test. You have defeated your purpose in this bill. I know. I am very interested in selling group annuities, and that is the main field at the present time. But I know this: that any time that anybody goes before a group of people and tries to sell a group insurance plan with that \$500 limitation in it, he is through talking to them right there because the average man will resent the fact that you

expect him to put money into a group insurance plan of that type, and then in the very next breath tell him: "We will take your money, but in the event of your having to withdraw it at some time, we will give you back only \$500 of it."

I thought that it was intended in that particular section, anyway, to put this bill as nearly as possible on a competitive basis with insurance companies, and I thought that was something which ought to be done. However, you are going to leave the field wide open to them, so you might as well not have a bill at all. I am not interested in this bill any more, if that limit is written in there; I cannot go out and tell anyone that he should buy a group insurance plan.

The CHAIRMAN: The amendment has been adopted.

Mr. GILLIS: Yes, but this clause has not been adopted and we are really passing on this clause now. I think we have defeated the whole purpose of the bill. In fact, I think the committee was mixed up in the taking of that vote.

Mr. CÔTÉ: At one time during the discussion, Mr. Gillis, did you not voice your approval of the original draft of subsection (e)?

Mr. GILLIS: Certainly, but not with this \$500 limitation written into it.

Mr. CÔTÉ: Quite so; but in subsection (e), starting with line 15, do you not recognize that there are powers given there to the Governor in Council to qualify to any extent the privilege of cash surrender value that may be granted to the purchaser?

Mr. LENNARD: There is your means test, right there!

Mr. GILLIS: There is a limitation of \$500 on it right now. I agreed with it as it was.

Mr. LENNARD: But there is still a means test in it.

Mr. BROWN (*Essex West*): You mean they can withdraw that \$500 if necessary?

Mr. CÔTÉ: I say from the phraseology of this subsection (e) that regulations "may", be made. On the other hand, there is no intent of bringing the cash surrender privilege to a par with that granted by the private insurance companies.

Mr. GILLIS: You do not necessarily have to do that. If I understand this particular clause, all contracts are not going to be the same. You gave power to the Governor in Council to make regulations. If a group of, let us say, a couple of thousand people wanted to have a contract, then under the bill you had the right to sit in with them and work out a contract with that particular group. And whatever cash surrender value or protective clauses they wanted to have included in there on the basis of that present section, you had the right to write it into the contract. There was nothing to say that you could not write in a cash surrender value of \$500, but now we have changed that; you have not got the right to work out the contract with these persons that are working a contract out with you. You definitely have to write a limit in. As far as I am concerned I trusted the departmental officials and the minister more than his own members who adopted this particular clause because they are taking the right from him to work out contracts that are suitable to the people who may want contracts. I wanted to leave that thing free. I did not want any restrictions written in. I believe this field of group insurance particularly is just being pioneered; you are just getting into it. I believe there should be as much flexibility left with the administration as is necessary to work out proper plans, plans which will suit people who want this protection; they should not have their hands tied, and I think that is what we have done here by writing in the \$500 limit. As Mr. Knowles said, the psychological deterrent there is terrific. I know what is involved in selling this thing. The essential fact is that the government have forced this thing on them. The minute you tell people that

you are going to make them do something for themselves what is their reaction to that going to be? They are going to say: Whom are you trying to dictate to? That is what makes it a bad feature. I think the bill as it was was all right because this is in the insurance field and we now find ourselves with our hands tied. There is no tailor-made formula so far and each of these contracts will have to be worked out on the basis of experience, and I wanted to leave it broad enough so that we will be able to take advantage of the experience we gain as we go along. You will not be able to work out a proper contract by tying it up with a limited contract.

The CHAIRMAN: Shall the paragraph as amended carry?

Mr. KNOWLES: No, I want to ask Mr. Brown, the lawyer; oh, I mean the other lawyer—by the way, Mr. Chairman, how long do we sit this morning?

The CHAIRMAN: At least until 11 o'clock.

Mr. KNOWLES: All right.

The CHAIRMAN: I hope we will be through by that time.

Hon. Mr. GREGG: Mr. Chairman, if it should be the will of the committee to accomplish its full purpose this morning I am sure Mr. Fournier would be delighted to have this bill returned to the House. It might suit the pleasure of the committee to dispose of the bill this morning. I can assure them it would make him very happy to have it placed on the order paper for the business of the House. I don't care to express any further opinion.

Mr. KNOWLES: I think the House has plenty of business on the order paper. May I address a question or two to Mr. Brown, of the department? Would you say, Mr. Brown, that the \$500 ceiling in clause (e) as amended makes it possible for the Governor in Council to provide a ceiling at that figure or any lower figure but not at any higher figure?

Mr. A. H. BROWN: He could fix a lower ceiling, not a higher one.

Mr. KNOWLES: In other words if the circumstances were to change and it became desirable to increase the amount it could not be done, even through the Governor in Council, without going back to parliament—if clause (e) as amended is adopted?

Mr. A. H. BROWN: That is correct.

Mr. KNOWLES: I think the point is obvious, Mr. Chairman that in view of the fact that everything else in this bill is so worded that it is unlikely that the act will come back to parliament for a long time, we are hamstringing the Governor in Council very definitely by this provision. For example, if we get figures from the Annuity branch two or three years from now to supplement figures that we have had as to the number of contracts sold the past few years and we discover that there is no appreciable improvement in the number being sold and if it is thought that this is one of the difficulties the problem could not be solved without reference back to parliament. Surely we all realize the difficulty of coming back to parliament again for a further amendment if our decision on this occasion happens to be a wrong one. It seems to me that the clause as amended is not worth voting for or against; it just does not achieve any purpose one way or the other to leave that psychological deterrent in there.

Mr. BRYCE: You refer to the means test.

Mr. KNOWLES: You are right. If the figures on sales of government annuity contracts continue at this low level we will not have achieved the main purpose of the Annuities Act.

The CHAIRMAN: Shall paragraph (e) as amended carry?

Mr. LENNARD: Mr. Chairman, does the principle of cash surrender value apply to contracts already in force?

Hon. Mr. GREGG: That will be another factor which will have to be determined in the working out of the regulations.

Mr. LENNARD: Well then, you don't know?

Hon. Mr. GREGG: No.

Mr. LENNARD: Supposing the other party to the contract does not agree with it, what do you do?

Hon. Mr. GREGG: To which contract do you refer?

Mr. LENNARD: Contracts already in force.

Hon. Mr. GREGG: They are contracts which are already in existence.

Mr. LENNARD: I mean, does this cash surrender value principle apply to those contracts?

Hon. Mr. GREGG: As I say, that is one of the several factors in addition to this much discussed ceiling point which will have to be taken into consideration.

Mr. LENNARD: Well, will that decision be made by the government authorities?

Hon. Mr. GREGG: That will be made on recommendations prepared by the department and the decision will be made by the Governor in Council.

Mr. LENNARD: And the other parties to the contracts would be consulted?

Hon. Mr. GREGG: Well, I am not a lawyer and I do not want to be drawn into a legal discussion. Mr. Brown, do you consider it necessary for the two parties to an existing contract to be consulted?

Mr. A. H. BROWN: Under the regulations relating to cash surrender value there would presumably be provided an option to the purchaser to take advantage of the cash surrender privileges. The purchaser is the other party to the contract with the minister.

Mr. LENNARD: I am asking about these contracts that are already in force?

Mr. A. H. BROWN: Well, the regulations could apply to both past contracts and future contracts, but what I am going to say is that in either case it is merely an option open to the purchaser, who is the other party to the contract with the minister.

Mr. LENNARD: In other words, the minister was not correct when he said these decisions would be made by government officials?

Hon. Mr. GREGG: Yes, I was, because that option did not exist when the other party entered into the contract prior to this date. So, it would be within the power of the new regulations to cover that.

Mr. LENNARD: Without consulting the employer or employee in a group contract? Would they be consulted? Would that contract be changed without their permission?

Mr. A. H. BROWN: It is not a matter of consultation. Regulations would be drafted by the Governor in Council which would provide certain cash surrender options to the purchaser, whoever he might be. Now, existing contracts are all contracts which have been entered into directly with the employer, so it will be a matter for the employer to decide whether he would wish to have the cash surrender value feature taken advantage of.

Mr. LENNARD: He would be the one that would decide?

Mr. A. H. BROWN: He would decide whether he would exercise the option which would be provided in the regulations.

Mr. KNOWLES: Mr. Chairman, the interesting feature of this discussion within the last few minutes, that initiated by Mr. Lennard, is that clause (e) refers to various matters about which there might be regulations. Earlier this morning and earlier in the discussion we did not know what was in the govern-

ment's mind with respect to these various possible subjects of regulation. We have found out there was a thought of fixing a monetary ceiling. Mr. Gregg said that no precise amount had been decided but he said it had been in his mind to make such a ceiling.

Now, it appears we do not know what the other ideas may be in mind as the subject of regulations. I think it would be just as proper for us to be given details on these other subjects as it was that we were given the idea of the monetary ceiling. I wonder if Mr. Gregg would tell us the nature of the various regulations that it is planned to draft under paragraph (e)?

Hon. Mr. GREGG: Well, Mr. Chairman, in answering that question, I see that Mr. Pouliot is not here, but I would like to reiterate what he said this morning. As far as I am concerned as minister, I have been very grateful for the opportunity of sitting in with this committee and listening to the discussion. We had earlier on, in relation to paragraph (e), a thought that it might be amended by such words as "in cases of financial hardship"—

Mr. KNOWLES: We threw that out the window for you.

Hon. Mr. GREGG: That would be a means test.

This cash surrender ceiling is one which I admitted to Mrs. Fairclough, would have to be taken into consideration in framing regulations if it had not been decided upon here, or if it is decided upon by parliament after this point has been dealt with.

Now, I do not want to be drawn into a detailed discussion of other things in addition to this except to say that I do not propose to suggest a means test along the lines of what we discussed earlier, namely, of putting it on a decision as to whether there is financial difficulty involved or not.

I could see all sorts of difficulties in that, not only to officials and the minister, but also to members of parliament. They would constantly be getting letters saying: Will you please see to it that my difficult financial situation is so stressed before the people who manage annuities that I will get my money back.

As far as the remainder is concerned, Mr. Knowles, I would much prefer that we, at this corner of the table, be given a chance to study in detail the discussion of this committee, to study any further discussion that may go on in the House of Commons or in the other place, and then after Christmas get down to working out the details of recommendations for the regulations.

Mr. KNOWLES: Mr. Chairman, I appreciate the minister's position and I think most members of the committee know that I have been hoping for the last several sessions that we were getting to the end of this business. However, there are one or two things that are pretty important, one of which I touched on the other day, the other of which has not been discussed at all. The one I touched on the other day has to do with the dispute that might arise through employee and employer portions accredited to an employee in a group plan. In the case of a holder of a group certificate who applies for cash surrender under the provisions of this section, will he run into difficulty because some of the money that is to his credit was put there by his employer? It seems to me that is something that will have to be the subject of regulation.

Now, then, the point which has not been discussed at all is what is in the government's mind in relation to about five words in line 18 "including the payment of interest"—perhaps I should say seven words, "including the payment of interest, if any". The minister has said he welcomes a discussion in a committee like this so he will know what is in the minds of members of parliament on this matter. There has not been any discussion on this point. I would be interested to know whether the minister or the officials have given any thought to what they propose to do under that clause. A person holding a contract, let us say, has in it \$1,000 and comes along and applies for \$500 cash surrender because of some urgency in his own experience. Let us say

that that \$1,000 has been accumulating over a period of 10 to 15 years. Does he get back that \$500 by itself, or does he get it with interest? If he gets it with interest, does he get it at the rate applicable to the contract, or does he get it at some other rate? As a matter of fact, I can see that that might be a pretty important question and I think that even at the risk of our not accommodating Mr. Fournier, the minister might like to have the views of the committee on that point.

Hon. Mr. GREGG: I would be very glad to have it. In any discussions we have had on that point so far it has appeared to us, we should try to work out a formula which was not very far out of line, either one way or the other, with that which exists in the private companies.

Mr. KNOWLES: What is that formula?

Hon. Mr. GREGG: I stand to be corrected on this, but leaving out any sliding scale, interest might be applied less a fair proportion of the administrative costs applicable to that particular contract. Is that roughly correct Mr. McCord?

Mr. McCORD: Well, sir, I think we have been thinking in terms having to do with individual contracts, something by way of recovering certain administrative costs. It depends on how long that money has been in there. If it has been in there long enough, the accumulations in interest might be enough to take care of those costs, and the longer it stays there the more likelihood there will be of the individual getting more than he put in. It would improve with some interest.

Mr. KNOWLES: What did you mean, Mr. Gregg, when you made a passing reference to a sliding scale?

Hon. Mr. GREGG: As Mr. McCord pointed out, it would not be a standard amount in any case. The proportion of the so-called subsidy feature within this bill, namely, the administrative costs, the entire administrative costs for government annuities, a proportion of that administrative costs might be charged against this amount refunded. It would not be a standard amount, that is the only point.

Mr. CÔTÉ: Depending, I think, on the length of time the contract has been in force.

Hon. Mr. GREGG: Yes, depending on the length of time the contract was in force.

Mr. KNOWLES: Well, Mr. Chairman, that does raise a pretty complicated question, and it is based on the premise that there are administrative costs or elements of subsidy which are not covered by the payments into the annuities fund being made by participants in annuities. As a matter of fact, at another stage of our discussions I confess I suppressed a desire to go into that whole question a little more fully, and now that the minister has mentioned it in relation to these rebates, it does bring the question out into the open as to how much of that administrative cost we can say is a cost outside of what the people who buy annuities are paying. I know that people have been thinking for years in rather orthodox financial terms, and thus tend to think of money as being something which retains its value and earns its interest, and is a real thing when you get it back. But there are the studies that we have made on old age security, and surely they would help a lot of members of parliament and others to realize that what really counts is what happens in any current year. We have come to that realization in terms of old age security. We realize that you solve that problem not by trying to set up a fund which is going to earn interest, but rather by paying each year out of the productive capacity of that year the cost of old age security to those retired that year.

I think that annuities are in a supplementary way based on the same principle, that actually what is happening in respect of government annuities is that a small section of the community is paying into the fund this year, and out of that fund this year certain people are drawing annuity benefits. And it so happens that across the years, the payments in have always been in each year greater—indeed, considerably greater—than the payments out.

If this were a private firm which anticipated being put on the block some day and sold, it would have to go into the whole question of its total assets. But the government is not in that position. The government goes on and on; and so long as the payments into the annuity fund each year are in excess of the payments out, I think it is a false picture to say that it is costing the people of Canada money. I think it is false to say that there are charges that are having to be met to keep the fund actuarially sound; and I think it is false to say that there are even any administrative costs not fully paid for by those who are buying annuities.

So I say again that the payments which purchasers of annuities make into the fund are several times each year the payments out. The rest of the money goes into the consolidated revenue fund, and the government has the current use of it.

Now I realize that is getting a bit away from this subject, but my point is that I am not satisfied with the vague reference to charging these people something on account of administrative costs when making the rebates under this cash surrender privilege.

Hon. Mr. GREGG: Might I add this: I do not want in any sense to tie the hands of my advisers in working out these regulations. Consequently, unless there is somebody anxious to discuss the details of possible regulations, all I shall say now is that we make an effort to work out the regulations on a fair basis.

The CHAIRMAN: Shall paragraph (e) as amended carry?

Mr. GILLIS: Would you mind reading paragraph (e) again and put in that amendment where it belongs?

The CHAIRMAN:

(e) authorizing the surrender of the right to receive an annuity... And there are four words that go in there:

...or any part thereof before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor up to an amount not exceeding five hundred dollars.

Mr. BRYCE: This is inserted by the amendment?

The CHAIRMAN: Yes;

...and prescribing the circumstances in which, the person to whom and the conditions, including the payment of interest, if any, under which repayment may be made;

Does (e) as amended, carry?

Mr. GILLIS: No. I would like to ask Mr. McCord this question: Supposing I came in, and I had 4,000 employees. I am an employer. That is hardly very likely to happen—

Mr. WYLIE: It is quite possible.

Mr. GILLIS: —and I want to get a group plan with you. What type of contract can you work out with me with that \$500 limitation in there? I want to have a plan similar to that which is in force with Ford or Chrysler. Can you give me an example of how this limitation would affect one contract that you have already written? You can remember one off-hand, probably.

Mr. McCORD: The only way I can describe it is this: The employer which Mr. Brown mentioned a moment ago will have an option; in part of his contract there will be an option, should he wish to exercise it, that an employee on leaving his employment may withdraw up to \$500 if he has more than \$500 in there; and he can withdraw up to \$500 of the money to which he is entitled.

Mr. GILLIS: What happens to the rest of his equity? What happens to the other half of it, say he has another \$500 in it?

Mr. McCORD: He gets a paid up annuity for whatever balance the money will buy.

Mr. GILLIS: That is the individual contract?

Mr. McCORD: Yes, assuming that the employee is leaving the firm, what we give him now is a certificate covering a paid up annuity for the amount of his own contributions plus those his employer may have invested in him at that time. The same situation would apply except that it would be less the \$500 which he may have wished to take out; but that is an option which would be in the contract; the employee might or might not exercise it, as he wished, the same as under any insurance scheme. There is an option which may or may not be exercised. He is not forced to do it.

Mr. GILLIS: Don't you think that this change is a limiting change? Under present group annuity plans if an employee is leaving you issue him a certificate for the total amount that the employer and the employee has paid in. That is completed. It is an individual contract and it stands there to that man's credit. Now, under the circumstances, that will be applicable to this clause if the employee is leaving and he has—say there is \$1,000 invested between him and the employer when he transfers to other employment, for example, you could only give him an individual contract for \$500—

Mr. BROWN (*Essex West*): No, that is not it—

Mr. GILLIS: Just a minute, let Mr. McCord answer this, you are only guessing.

Mr. BROWN (*Essex West*): I am a pretty good guesser.

Mr. GILLIS: You are not such a good guesser at all, that has been very clearly demonstrated.

Mr. McCORD: If the employee is leaving and there is \$1,000 in there to his credit, partially his contributions and partially the employer's contributions, the employee will get a certificate covering the form of annuity that the \$1,000 would buy. If he takes \$500 of that in cash that changes the picture somewhat because in practically all plans if the employee surrenders the right to receive an annuity he surrenders certain rights gained at the option of the employer who would insist that he will vest his share, if the employee takes that in the form of an annuity, but if he takes it in the form of cash he does not. I think that is a pretty well known feature in all group contracts.

Mr. LENNARD: In other words, the employer has no say in the matter.

Mr. McCORD: The employer would have a say so far as his own interest was concerned.

Mr. LENNARD: But not with respect to the portion contributed by the employee.

Mr. McCORD: That depends on the plan. If the pension plan is such that the employer agrees, says that it vests in the employee, he gets it.

Mr. LENNARD: Have you any plan where what the employer has paid in is vested in the employee?

Mr. McCORD: We do have plans which have immediate vesting interests which means that right from the time it is paid in it vests in the employee. The majority of the plans are graduated over a term of years providing that they get a certain percentage of the employer's share on a progressive basis with usually 20 years as a maximum.

Mr. GILLIS: Don't you think Mr. McCord, the writing-in of this \$500 is going to influence the employer? I think if I were an employer it would influence me. If the employee is leaving his employer and has \$1,000 there and you have that written in the individual contract for him, that is the total amount of the contract, and there is a fixed cash surrender value. When that man leaves he is going to get his money out plus what the employer put in; but under this new clause I think you are going to find the employer now is going to take a look at that and insist on contracts, where the employee is leaving, that as we provide now for the cash surrender limit of \$500, with respect to any issue of a certificate the employer in his own interest is going to say; well, that \$500 is his money, that is all, he can take that out if he wants to, but he cannot take it out in the form of an individual contract. I think we are sowing the seeds for a lot of difficulties in working out contracts with this amount written in.

The CHAIRMAN: before the committee adjourns this morning, shall paragraph (e) as amended carry?

Hon. MEMBERS: No.

Mr. BRYCE: There are a lot of us who want to speak on it.

Mr. CÔTÉ: First of all we might find out whether the committee wishes to adjourn at 11 o'clock or to carry on.

Mr. BLACK: I do not think we should continue. The Minister has gone and some of the members have gone. We were supposed to adjourn at 11 o'clock.

Mr. LENNARD: Might I suggest, M. Chairman, that the next meeting be held when other committees are not sitting?

Mr. CROLL: I think your best bet is tomorrow, that is my guess.

The CHAIRMAN: This was discussed in the steering committee last evening and no decision was arrived at.

Mr. KNOWLES: That was when we hoped to be finished by this time.

The CHAIRMAN: We had. I think the committee would like to have the question put on the adoption of paragraph (e) as amended?

Hon. MEMBERS: No, no.

The CHAIRMAN: The question has been raised. All those in favour?

Mr. BRYCE: Mr. Chairman, it is 11 o'clock. We were to get away at 10:30 o'clock for another committee.

Mr. BROWN: The question is, when do we meet again?

The CHAIRMAN: Gentlemen, there is a motion to adjourn, moved by Mr. Bryce; what is your pleasure?

Carried.

The CHAIRMAN: When shall we meet again? Shall we leave it to the chair?

Hon. MEMBERS: Agreed.

The CHAIRMAN: Then this afternoon at 3:30 we will assemble in this room for a further meeting.

The committee adjourned.

AFTERNOON SESSION

DECEMBER 11, 1951.
3:30 p.m.

The CHAIRMAN: Gentlemen, we have a quorum. When we adjourned this morning we were discussing the amendment to paragraph (e) to clause 5 of section 13 of the bill. Does clause (e) as amended carry?

Mr. CROLL: Mr. Chairman, I just wanted to be clear on this new amendment. Perhaps Mr. Côté could help us. If, for some reason or other this committee should turn down clause (e) as amended what will we have in its place.

Mr. CÔTÉ: We would have to go back over the story of the discussion of this subsection as it was originally submitted to the committee. You will remember, there was a motion by Mrs. Fairclough to delete subsection (e) completely?

Mr. CROLL: Yes.

Mr. CÔTÉ: That motion was voted down. The wish of the committee has been expressed that we should retain paragraph (e).

Mr. CROLL: Yes.

Mr. CÔTÉ: Modified or not.

Mr. CROLL: Yes.

Mr. CÔTÉ: Now, replying to your question, Mr. Croll, should a division do away with the section as amended then the chairman would have to put the former draft of paragraph (e) to a vote.

Mr. CROLL: Yes.

Mr. CÔTÉ: And that vote would be expressing our views on the original draft on paragraph (e) one way or another. That is my way of thinking.

Mr. CROLL: You are right on it. I am one of those who wants something where paragraph (c) is, preferably paragraph (e) before amendment. I do not know whether it will be—but if the section as amended should be rejected then my thought was that the old section stood.

Mr. CÔTÉ: That would depend on the vote, if it is not carried by the committee.

Mr. CROLL: We have carried paragraph (e) and now we have paragraph (e) as amended.

Mr. CÔTÉ: No, paragraph (e) has not been carried.

Mr. CROLL: I understood it was.

Mr. KNOWLES: The earlier motion to delete paragraph (e) was defeated.

Mr. CROLL: Oh, yes.

Mr. KNOWLES: The point you are now trying to make is that if paragraph (e) as amended is deleted it means that the original paragraph (e) is still there. Is that it?

Mr. CÔTÉ: Paragraph (e) as amended was carried.

Mr. KNOWLES: No, not yet.

Mr. CÔTÉ: Yes, the amendment was carried, the motion on the clause as amended has not been put yet, and when it is put it may be carried.

Mr. CROLL: But supposing it is defeated, then we will vote on paragraph (e) as it is.

Mr. BROWN (*Essex West*): The motion on paragraph (e) as amended was carried, this motion is to carry the clause as amended.

Mr. CÔTÉ: The motion to amend paragraph (e) was carried but the chair has now to put another question, shall paragraph (e) as amended carry.

Mr. BROWN (*Essex West*): That is right.

Mr. GILLIS: Mr. Chairman, I rise on a point of order.

The CHAIRMAN: Yes.

Mr. GILLIS: I do not agree with Mr. Côté's interpretation. I believe that if we now vote down the paragraph as amended we will have to write a new paragraph and start all over again, wipe the whole thing out. I am raising a point of order on a principle in which I am a strong believer. It is a point of a different kind altogether. I am questioning whether a private member of this committee is legally entitled to move the kind of amendment that has been moved. When this bill was first drafted, the minister consulted with the Governor in Council and they decided on that section (e) as it was before we amended it, that it was the type of section that should be in the bill. Now, I want to know whether a private member of this committee has the right to move an amendment to that section which could mean an increase in expenditure in the administration of this Act, thereby upsetting the balance of ways and means without consultation with the Governor in Council again, and getting his O.K. I am asking some of the learned people here who understand the mechanics of rules and so on as to whether a private member of this committee has the right to make the kind of amendment that we have suggested to section (e). I think before we decide about the section itself we have got to study whether we are legally entitled to move that amendment, otherwise—

The CHAIRMAN: Well, Mr. Gillis, probably we ought to read all of paragraph 13 in order to put on the record the amended paragraph. Paragraph (e) should read in conjunction with section 13:

The Governor in Council may, on the recommendation of the Treasury Board, make regulations (e) authorizing the surrender of the right to receive an annuity or any part thereof, before the due date of the first instalment thereof and repayment of the whole or any part of the purchase price paid therefor, up to an amount not exceeding five hundred dollars and prescribing the circumstances in which, the person to whom and the conditions, including the payment of interest, if any, under which repayment may be made.

Mr. GILLIS: That is where you are writing in the restrictions on the Governor in Council.

The CHAIRMAN: It is a permissive section and you are not writing in any restrictions.

Mr. GILLIS: It is not permissive enough.

The CHAIRMAN: From the explanations that I have listened to from the Honourable Minister of Labour I would say that this amendment is in order.

Mr. KNOWLES: Mr. Chairman, you have just read the clause as it would read and you have emphasized the fact that this places a limit; but it has been pointed out to us many times that we cannot as private members move anything that upsets the balance of ways and means, even if it saves the government money. I have not had time to go into the authorities about the point Mr. Gillis raises; and it appears that this committee is blessed with an absence of rule books. But there is a point that we have to consider. This bill as it was first introduced into the House was preceded by a money resolution. The Minister of Labour did announce the usual formula, the Governor General's consent, so the whole bill is in monied terms. A while ago there was a bill brought back to the House—

The CHAIRMAN: Pardon me, Mr. Knowles, we are now discussing paragraph (e) as amended.

Mr. GILLIS: Pardon me, Mr. Chairman, I raised a point of order and that is what we have been discussing.

Mr. KNOWLES: Well, Mr. Chairman, we have to consider this point before we make our report, do we not? I was about to point out that when the special committee on railway legislation wished to make a change that involved upsetting the balance of ways and means—true it was the other way, involving an increase in expenditure—they did it not by making a change in the bill but by submitting as part of their report the recommendation that a certain change should be made and on the basis of that recommendation the Minister of Transport later moved an amendment. I wonder, even if the committee does report—

The CHAIRMAN: Pardon me, Mr. Knowles, I was a member of the committee to which you have reference, and the item to which you refer, as I recall it, related to the salaries of the Board of Transport Commissioners, did it not?

Mr. KNOWLES: Right.

The CHAIRMAN: That was definitely an expenditure of money that was not in the original draft bill.

Mr. KNOWLES: Well, Mr. Chairman, my point is that a private member cannot upset the balance of ways and means either way. We have tried it down in the chamber many times to save the government money. That is the question we have to consider: will it alter the position of the treasury, does it upset the balance of ways and means?

Mr. BROWN (*Essex West*): It is the annuitants' way and means—

Mr. KNOWLES: You are admitting then that there is no government money going into it? I would settle for that.

Mr. BROWN (*Essex West*): Well, I don't see that there is.

Mr. KNOWLES: The point we have to settle is whether or not it might have a bearing on the treasury.

The CHAIRMAN: But, Mr. Knowles, the way paragraph (e) reads I do not think any balance of ways and means is upset. I think it is very definite. It says the whole or any part—before the due date of the first instalment thereof and repayment of the whole or any part. That was in the motion which was adopted this morning.

Mr. KNOWLES: Is the government going to be in or out a five-cent piece as a result of the amendment? If so, it upsets the balance of ways and means; if not, it does not. If it does upset the balance of ways and means then, on a strict interpretation of the rule, it is not in order.

Mr. CROLL: I think Mr. Knowles is really stretching his point of order. I think he is getting into difficulties. I cannot appreciate the point of order at all. I think the general statement he makes, of course, is well taken where it affects ways and means. All this does at the present time is to make certain recommendations to the government which they may or may not accept. There is no assurance that this will be the bill that you will see on the floor of the House. It is hoped that it will be, but our report will contain our recommendations only, as he very well knows.

Mr. KNOWLES: Just a minute, Mr. Chairman, if we report the bill with amendment the bill goes before the House in that form.

Mr. CROLL: Quite.

Mr. KNOWLES: You know that very well.

Mr. CROLL: Yes.

Mr. KNOWLES: But if, instead of reporting the bill with an amendment, we were to include a recommendation in our report that such and such an amendment be made, then it would leave it up to the government.

Mr. CROLL: If we report the bill with or without amendment it does not make any difference, the government will take the responsibility of making whatever changes they like. I think we had better dispose of it once and for all and let us see what happens, then we will be finished with the bill. We have before us the bill as amended. If we defeat the amendment or if we pass it then I am hoping that paragraph (e) will remain in the bill.

The CHAIRMAN: It is paragraph (e) now.

Mr. GILLIS: Now Mr. Chairman, I would like to say to Mr. Croll, again: You can't brush aside parliament in that way at all. The thing I am thinking of—

Mr. KNOWLES: You can't brush aside Clarry Gillis, either.

Mr. GILLIS: I would like to ask the minister if this is a money bill.

Mr. CROLL: No.

Mr. GILLIS: The minister has stood up in the House and said that the Governor in Council has been consulted and given his approval to this bill. And now, in this committee we are approving of paragraph (e) as it was at that time. And now, it has not been consulted since and we are writing into this bill, in my opinion, a provision that restricts the section as the Governor in Council agreed to it; and I also anticipate that in writing in that restriction you are placing the mechanics in that section now which is going to increase the administrative cost of the whole annuities branch. I can see agents trying to sell that on the road and they will have to talk a lot longer than they would have if that restriction wasn't in there. And in the writing of contracts I think there will be a lot of argument involved as between employer and employee, and on the annuities branch, in the application of that restriction. I am wondering if the minister can tell us, because it is his responsibility that he is legally entitled according to the rules of parliament in accepting an amendment, and having it written into that Act at all without further consultation with the Governor in Council. Now, as Mr. Knowles pointed out, in the transport committee, while Mr. Chevrier was very much in favor of the proposed amendment to increase salaries he told us quite definitely: I have no authority to write in any amendment in that Act which, in one way or another upsets the balance of ways and means, without further consultation with the Governor in Council. I will take the amendment under consideration and will consult with my colleagues. I will come back later, and, if it is desirable, I will move an amendment myself—and the minister did move that amendment after consultation with the Governor in Council.

If the minister is quite prepared to accept the responsibility of accepting this change without further consideration, or at least say he is legally entitled to do it, then that is all right with me—but I do not think anyone else in this committee has the right to make that decision.

Hon. Mr. GREGG: I am not going to pose as an authority on the point of order. The only comment I will make on Mr. Gillis' question is as follows: If this amendment is incorporated in this section by this committee I still have the right of reporting to my colleagues the whole discussion that has taken place here; and, if they see fit—when we go into the committee of the whole, I still have the right to ask that an amendment of any kind be made to this section—whether it affects the item we are speaking on or any other item.

Then on the other points as to whether Mr. Knowles' idea that this is going to restrict, or, Mr. Gillis', that it is going to increase expenditure—whichever way it may be—I want to make it clear that it has a very indirect and round-

about relationship with the original resolution I brought in. It is not comparable with that of Mr. Chevrier, which was one affecting the amount of cash that would be paid to an individual in the public service. So, I think it is reasonable to expect that with regard to almost any amendment you might put in any bill at any time, it is impossible to say whether it is going to affect by a 5 cent piece or a 10 cent piece the cost of administration. I think this is in somewhat the same category.

Mr. GILLIS: You think it might be covered by the terms of the original resolution that had royal approval ?

The CHAIRMAN: Is paragraph (e) as amended carried?

Mr. BRYCE: Why not take (e) the way it stands?

The CHAIRMAN: Because it has been amended.

Mr. BRYCE: I am asking the minister a question.

The CHAIRMAN: The committee has decided this at the moment, Mr. Bryce, and it has accepted that amendment. That amendment is now embodied in paragraph (e) and I am asking the committee whether paragraph (e) as amended, carries?

Mr. KNOWLES: On a point of information, Mr. Chairman? Let us have it clear what will be the following steps? I am not arguing, I am just asking—if the question you now propose to put carries tell us what you do next? On the other hand, if the question you now put is defeated tell us what you do next, as chairman?

Mr. CÔTÉ: May I interject here ?

The CHAIRMAN: We will take first things first, Mr. Knowles.

Mr. CÔTÉ: There is nothing that would prevent the committee from amending that same paragraph twice or three times as long as the second or third amendment did not carry the same substance as the first one. That is why, after the amendment this morning was carried, the debate remained open on that same paragraph, and there is nothing to prevent a member from submitting another motion altering some other feature of this paragraph.

Mr. CROLL: Quite right.

Mr. CÔTÉ: That is why I suggested a few minutes ago that if clause (e) as amended were defeated it would be in order to put the question on the original draft.

Mr. CROLL: That is right.

Mr. KNOWLES: That is what we want to know. If Mr. Côté's position is understood by the chairman we can vote—

The CHAIRMAN: Well, does paragraph (e) as amended carry? All those in favour please signify? Those against?

I declare the motion lost.

Now, what is your pleasure, gentlemen?

Mr. KNOWLES: Put the question on paragraph (e) as it stood.

Mr. CROLL: I move that clause (e) as originally drafted carry.

The CHAIRMAN: We will have to replace the amendment now.

Mr. CROLL: The amendment is dead.

The CHAIRMAN: Then does the original clause (e) carry?

Carried.

Mr. BALCER: As amended?

Mr. CROLL: No. He said: Does the original clause (e) carry?

Mr. BALCER: We voted on the amendment.

Mr. CROLL: We can reverse ourselves.

Mr. BALCER: We are going to vote on the section?

The CHAIRMAN: The committee accepted an amendment this morning. Now, they would not accept paragraph (e) as amended so we disposed of the motion to accept the paragraph as amended.

Now, paragraph (e).

Mr. BALCER: There is no more paragraph (e).

Mr. CROLL: Of course there is.

The CHAIRMAN: It has been accepted by the committee that paragraph (e) as it is in the bill, without amendment, should carry.

Mr. KNOWLES: If there is any doubt about it I would move that clause 5 include (e) as shown in the printed bill.

Mr. CROLL: Do not start putting doubts in their minds. This is common procedure and the chairman is quite right. Clause (e) is adopted. Are we ever going to finish this?

The CHAIRMAN: Now, does clause 5 carry?

Carried.

Now, we have a motion by Mr. Balcer or we have a notice of a motion from Mr. Balcer, that at this point in our proceedings he would ask to refer to clause 2. We are now reverting to clause 2—or no, we will now ask Mr. Balcer to say what he wishes to say with regard to clause 2, new section 8 of the Act.

Mr. KNOWLES: New section 8 on page 3?

The CHAIRMAN: Yes.

Mr. BALCER: Thank you very much. I want to make this as short as possible because I know we have been sitting long enough. All I would like to say is that I would like to move an amendment deleting the words "twenty-four" in line 41 of the bill, replacing them by the word "twelve".

The CHAIRMAN: Mr. Balcer, before you move that motion you will require the unanimous consent of the committee. We wanted your thinking on what you wished to do. If it is your intention to request the moving of a motion at this time you will require unanimous consent of the committee.

Mr. LENNARD: Well, I might not agree with what Mr. Balcer is going to move but I do know that the other day we said that we would let the clause stand on the understanding that we would refer back.

The CHAIRMAN: I beg your pardon, Mr. Lennard, there was no such understanding.

Mr. KNOWLES: Like Mr. Lennard, I may not, and I will go further and say I do not agree with what Mr. Balcer is aiming at, but referring back—not to what Mr. Lennard mentions when the clause passed but at a later stage when we were down almost to subclause (e)—Mr. Balcer asked for permission to revert to section 8 of the act. There was no objection then and I submit at that point he was given unanimous consent. I do not agree with Mr. Balcer's idea, but I think we should be fair to him and revert.

The CHAIRMAN: We will accept your motion, Mr. Balcer.

Mr. BALCER: As I said when I gave you the wording of my amendment, the only point on which I base my argument is that I do not think it is right for the government to increase this annuity to \$2,400 because the only people who are going to have the advantage of this increase are people who are very well off, can afford it, and are in the upper brackets. I think the purpose of annuities is to protect the ordinary man and I think by doing this the only

people who are going to be provided for are the rich people. They are the people who are going to have subsidies from the people of Canada and I think they are the people who are the least in need of this provision and protection and this subsidy from the government.

Mr. LENNARD: So do I.

Mr. BALCER: That is the reason that I move that "twenty-four hundred" be changed back to "twelve hundred" as it was in the act before.

The CHAIRMAN: You have heard Mr. Balcer's motion, what is your pleasure?

Some hon. MEMBERS: Question, question?

The CHAIRMAN: All those in favour of the motion please signify? Those against?

I declare the motion lost.

The CHAIRMAN: Shall clause 2 carry? Carried.

Shall the preamble carry?

Carried.

Shall the title carry?

Carried.

Shall the bill carry?

Carried.

Shall I report the bill?

Carried.

Hon. Mr. GREGG: I would like to thank this committee as well as you, Mr. Chairman, for the good work you have put into it. I reiterate what I said a little while ago that I think it has been discussed here purely on its merits. I am confident that applies to every member of the committee, regardless of whatever party he is associated with. I am sure that you would want me now, after this long discussion, to bring those points to the attention of my colleagues. I have not yet had an opportunity of fully doing so. After that is done, if they see fit to decide upon any amendments, those can be brought in at the period when the bill comes forward to the committee of the whole House.

In closing, I want to thank the members of the committee for the work they have done.

The CHAIRMAN: Mr. Gregg, on behalf of the members of the committee may we express to you our very great thanks for your attendance.

Hon. Mr. GREGG: And for keeping quiet!